

CONGRESSIONAL INFLUENCE ON  
FOREIGN POLICY EXERCISED THROUGH  
RESTRAINT OF THE UNITED STATES  
MILITARY ASSISTANCE PROGRAM

JAMES MATTHEW PATTON

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CONGRESSIONAL INFLUENCE ON FOREIGN POLICY  
EXERCISED THROUGH RESTRAINT  
OF THE  
UNITED STATES MILITARY ASSISTANCE PROGRAM

A Thesis

Presented to the Faculty

of the

Fletcher School of Law and Diplomacy

by

COMMANDER JAMES MATTHEW PATTON, U.S. NAVY

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## THESIS ABSTRACT

### CONGRESSIONAL INFLUENCE ON FOREIGN POLICY EXERCISED THROUGH RESTRAINT OF THE UNITED STATES MILITARY ASSISTANCE PROGRAM

In the year 1967, the Congress of the United States exerted its influence on foreign policy by exercising restraint of the United States Military Assistance Program.

The argument of this thesis is that the executive branch invited legislative oversight and, ultimately, restraint of the Military Assistance Program by following a policy of deliberate obfuscation of some of the workings of the program and by disregarding the interests of the Congress. Further, that the executive branch made the Military Assistance Program vulnerable to congressional criticism by so extending its size that much of the program no longer corresponded to its original supporting rationale.

The factors which led to the imposition of restraint on the Military Assistance Program by the 90th Congress were the following:

- The executive branch, in the interest of improving the balance of payments, had encouraged an aggressive arms sales program. The civilian head of the sales program was given coequal status with the





Director of Military Assistance (although arms sales were supposed to be integrated with and subordinated to overall military assistance) and was provided with potent instruments to facilitate sales. These were: a Department of Defense guarantee authority on credit sales; a revolving fund (which was not really subject to congressional scrutiny); and the lending facilities of the Export - Import Bank (which, when used without full disclosure being made to the Bank, were known as "country - X loans"). By 1967, the value of arms sales had grown to four times the value of grants made under the Military Assistance Program and nearly 26% of the Export - Import Bank's lending authority was committed to credit arms sales. The executive branch did not advise the appropriate committees of the Congress as to the mechanics of this sales program or as to the Bank's involvement. When the intricacies of the program were finally made known to the Congress (by a staff member of the Senate Foreign Relations Committee) there was considerable indignation and the executive branch lost the sympathy of many members of the Congress who had routinely supported the Military Assistance Program.

- The executive branch, by allowing wide latitude for arms sales, invited criticism of its decision-making apparatus. The Congress uncovered evidence which conflicted with the administration's claims that all sales were considered in a coordinated manner and by the highest officials of the executive branch. The administration was never able to convince the Congress that at least some sales had not



been made by "middle level" officials and made without appropriate interdepartmental coordination. In particular, the Congress was displeased to find that the Arms Control and Disarmament Agency had never been truly integrated into the decision-making process.

- The executive branch, pursuant to a philosophy which saw the United States as a "world policeman," had incorporated 58 countries within the Military Assistance Program. Whereas the original rationale for providing military assistance had been the support of free nations against communist military aggression (and, also as quid pro quo for base rights required by the planned response to such aggression), that rationale had, by 1967, been extended and modified to include "internal security," "influence," and in the case of certain Middle Eastern countries, "balancing." In fact, the rationale for providing military assistance had been stretched to allow for support of any nation not an avowed enemy of the United States. This inflation of the program made it vulnerable to congressional criticism by those concerned with the program's contribution to regional conflicts, arms races, dictatorships, and politically unreliable allies. Military assistance -- and particularly its arms sales component -- was seen in competition with economic assistance (and, on occasion, at cross-purposes with economic assistance); its growth and wide application were criticized as a manifestation of the military-industrial complex, and profits earned through the sales program were characterized as "blood money."



- The executive branch badly underestimated the determination of the Congress to assert its influence on foreign policy, to curtail federal spending, and to exercise greater legislative oversight and control of the Military Assistance Program. Administration attempts to reassure the Congress as to the propriety of its military assistance expenditures and its arms sales decision-making apparatus were tardy, uncoordinated, and, in some cases, inept.

- Finally, the rising costs of the war in Vietnam and the pressures for increased domestic expenditures competed with the budget requirements of the military and economic assistance programs and caused further erosion of congressional sympathy for those programs.

The following restraints were imposed upon the Military Assistance Program by the 90th Congress:

- The military assistance budget was reduced to \$400 million (the administration had requested \$596 million).

- Ceilings were set on military assistance expenditures to Latin America and Africa (\$75 million and \$40 million respectively).

- The Department of Defense guarantee authority was terminated. (This was restored, however, under tight congressional control, by the Foreign Military Sales Act of 1968.)

- The Department of Defense revolving fund was abolished. (Funds used to facilitate credit arms sales were henceforth appropriated under the Foreign Military Sales Act and were, therefore, subject to congressional authority.)



- Periodic reports were levied on the executive branch to insure that the Congress would be informed of military assistance and arms sales developments in a timely manner.

- The Export - Import Bank was prohibited from using its facilities for the financing of credit arms sales to less developed countries.

- The executive branch was prohibited from dispensing "sophisticated weapons" to "underdeveloped countries." (This was one of the so-called Conte-Long amendments -- it included certain exceptions and provided for further exceptions in cases wherein the President decided that an exception was "vital to the national security of the United States." )

- The executive branch was required to monitor the defense expenditures of "underdeveloped countries" for "sophisticated weapons" purchased from sources other than the United States and to withhold like amounts of economic assistance. (This was the second of the Conte-Long amendments -- again, certain countries were excepted from the required penalties and the President was empowered to make additional exceptions in cases "vital to the national security of the United States." )

- The executive branch was required to monitor "unnecessary military expenditures" on the part of recipients of United States economic assistance in order to detect any "diversion of resources," and further required to withhold all economic assistance wherever such "diversion" was judged to exist until it was terminated.







Although Secretary of Defense McNamara had predicted that the results of this restraint would be "disastrous," the Military Assistance Program continued to function. The small appropriation for fiscal year 1968 was augmented with funds previously appropriated but not yet expended (this source was known as the "pipeline"). The head of the arms sales program was subordinated to the Director of Military Assistance and the sales procedure was moderated under the control of the Foreign Military Sales Act. Interdepartmental coordination and even some coordination with the Congress became part of the administrative response to the Conte-Long and Symington amendments.

There can be no question that the Congress, in exercising these restraints of the Military Assistance Program, influenced United States foreign policy. Executive branch hegemony of foreign policy was circumscribed by this legislative control of one of its principal policy making implements. The Congress, by acting as it did, may well have averted undesirable United States commitments and responsibilities abroad. Certainly, real limitations were placed on the making of commitments and the incurring of responsibilities and United States involvement as a "world policeman" was at least somewhat curtailed.

The undesirable aspects of some of the legislation, however, begs comment and analysis. The language of the Conte-Long and Symington amendments was vague in the extreme. "Sophisticated weapons," "underdeveloped countries," and "unnecessary military expenditures" are all relative terms and they are not subject to easy



definition. Consistent and intelligent administration of these amendments is an extremely difficult process. Moreover, the intent of the amendments unmasks an arrogance of power that is both unseemly and dangerous. The required monitoring process demands intelligence collection of a wide order and risks foreign indignation. Further, and much more serious, the impact of passage of such public legislation must be regarded as blackmail by the recipients of United States economic assistance. It is, to a degree, an intrusion on their sovereignty and an interference in their affairs. The exactment of either the Conte-Long or the Symington penalties can have no other effect than to cause alienation and resentment -- the opposites of the attitudes which the foreign assistance program endeavors to produce. Unfortunately, data which might prove these conclusions is classified and the State Department has denied its release.

In summary, then, the influence which the Congress exerted on foreign policy through restraint of the Military Assistance Program was of mixed value. The curbs placed upon the arms sales program were probably timely and beneficial. The Conte-Long and Symington provisions, however, if interpreted strictly, could affect United States foreign policy in dangerous and counterproductive ways. On balance, it would seem that the Congress, in its rush to make its influence felt, may have only replaced one unsatisfactory condition with another.



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## VITA

This vita accompanies the Ph. D. thesis submitted to the Fletcher School of Law and Diplomacy by Commander James Matthew Patton, United States Navy.

Commander Patton was born in New York City, New York in November, 1933. He graduated from Public School 118 and attended Saint Francis Xavier High School in New York before moving to El Paso, Texas. There, he graduated from Stephen F. Austin High School in January, 1952. Having received a Regular N. R. O. T. C. scholarship, Commander Patton studied in the major fields of Government and French at the University of New Mexico at Albuquerque and received a Bachelor of Arts Degree with Honors in both those subjects in June, 1956.

After an initial tour in the destroyer U. S. S. INGRAHAM (DD 694), Commander Patton underwent the course of instruction at the Submarine School, New London, Connecticut, and then served in the submarines U. S. S. MENHADEN (SS 377), U. S. S. BONEFISH (SS 582), and U. S. S. BAYA (SS 318). Assigned to the Fletcher School of Law and Diplomacy at Tufts University under the U. S. Navy Post Graduate Program, Commander Patton received the Master of Arts Degree in June 1965. Upon completion of a tour as Executive Officer of the submarine U. S. S.



CATFISH (SS 339), in November, 1967, he was ordered to the staff of the Chief of Naval Operations in the Pentagon as Strategic Plans Officer for Allied Forces.

In December, 1969, Commander Patton left the Pentagon to assume command of the submarine U.S.S. VOLADOR (SS 490) in San Diego, California. Selected for the U.S. Navy Doctoral Studies Program, Commander Patton returned once again to the Fletcher School in September, 1970, and received the Master of Arts in Law and Diplomacy Degree in June, 1971.



## PREFACE-

While studying at the Fletcher School of Law and Diplomacy during the years 1964 to 1966, I had the benefit of participating in many discussions with Dr. Ruhl J. Bartlett, Professor of Diplomatic History, on the subject of the relative influence of the branches of the United States Government on foreign policy. It was Dr. Bartlett's purpose, I believe, to make his students aware of the duties and responsibilities of the Executive and of the Congress in regard to the exercise of influence and also aware of the dangers inherent in any abuse of that influence.

Later, during the period 1967 to 1969, I had the opportunity to observe from close range one of the periodic efforts of the Congress to assert its influence on foreign policy. As Strategic Plans Officer for Allied Forces on the staff of the Chief of Naval Operations, I was engaged in the development of allied forces whose strengths and capabilities were designed to supplement United States forces within a global structure of collective security. The primary implement of that development was the Military Assistance Program. In 1967, a somewhat disjointed -- but nevertheless effective -- congressional campaign succeeded in severely restraining that program. It has been my intention, in writing this thesis, to return to that time and, hopefully



divorced from the parochial fervor which I felt then,, make an objective analysis of congressional - executive interactions which produced the restraint.

I have been encouraged in my research and writing by my thesis advisor, Dr. Geoffrey T. H. Kemp, Professor of International Affairs, and a specialist in defense planning and military assistance. Whatever academic value this thesis might claim is certainly a reflection of Professor Kemp's acute perception, his attention to detail, and his thorough knowledge of the subject matter.

For their cooperation with my research I am indebted to Dr. Seth Tillman, Consultant for the Senate Foreign Relations Committee; Dr. William B. Bader, formally a member of the staff of that committee and now with the Ford Foundation in Paris; Mr. Edward M. Featherstone, of the Office of Military Assistance and Sales, Department of State; The Honorable Silvio O. Conte, Congressman from Massachusetts, and The Honorable William B. Widnall, Congressman from New Jersey. I am also indebted to the many other officials of both the executive and legislative branches who allowed me to examine their files and who guided me in my search for materials. Mrs. Nan A. Johnson, the Librarian of the Edwin Ginn Library, and her competent staff were particularly helpful. I am grateful to Mrs. Barbara Schwartz of Medford for her patient labor in typing the manuscript and I am especially appreciative of the generous forbearance of my five children, without which completion of this thesis would not have been possible.





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## CHAPTER I

### CONGRESS AND THE MILITARY ASSISTANCE PROGRAM

#### INTRODUCTION AND STATEMENT OF THE THESIS

Periodically the Congress of the United States is given to testing its influence on foreign policy. On occasion, this testing has provided spectacular struggles with the executive branch -- as when the Senate thwarted President Wilson from enlisting the United States in the League of Nations. More frequently, however, congressional efforts to share in the conduct and control of American foreign policy take the form of congressional - executive interactions which are less than spectacular for being only partially visible to the general public. The complexities inherent in most modern foreign policy issues and the adversary relationship which the United States has shared since World War II with the Soviet Union have sometimes led the executive practitioners of foreign policy to obscure intentionally their plans and programs, not only from the public, but from the Congress as well. Tests of congressional influence in cases where the nature or extent of executive activities have not been completely disclosed most often involve interactions spread over long time periods and too intricate to lend themselves to wide public interest. Such tests, however, are



precisely the instruments which best define the limits of executive power in the foreign policy arena. Only when the Congress has overcome its own institutional inertia to probe deeply into an issue, and then has gone on to overcome the institutional resistance of the executive branch to find its information, is the President truly reminded that his hegemony over foreign policy is subject to challenge by a constitutional partner. When the Congress finds cause to assert its own views on some facet of foreign policy through legislation the President and his executive bureaucracy are informed as to how and where their prerogatives are circumscribed. The prudent bureaucrat will, therefore, benefit from a close examination of the circumstances and the outcome of each test of congressional influence.

In the year 1967, the Congress challenged the purpose and conduct of the United States Military Assistance Program. This program, together with a comprehensive program of economic assistance, composes American foreign assistance -- a nearly worldwide manifestation of United States foreign policy. Out of the challenge to military assistance grew an important test of congressional influence, a test which involved numerous interactions, and one which, in the end, helped to define both the limits of executive power in making foreign policy and the institutional strengths and weaknesses of the Congress itself. This thesis will undertake a critical examination of the circumstances and the outcome of this recent example of congressional influence on foreign policy as it came to be exercised through restraint of the



## United States Military Assistance Program.

The argument of this thesis is two-fold: first, that the executive branch, partly through deliberate obfuscation of certain aspects of the administration of military assistance, and partly through almost cavalier disregard of congressional interests and opinions, invited a test of influence which could only end in legislative restraint; and, second, that the Military Assistance Program had, by 1967, been so expanded by the executive branch that it no longer rested stably on the structural rationale which originally supported it.

In order to demonstrate this thesis it is necessary to look beyond published descriptions of the Military Assistance Program as it existed prior to and during 1967. It is also necessary to look beyond what may be considered as strictly the legislative histories of the laws which were passed by the 90th Congress in restraint of military assistance. The subsequent pages of this thesis reflect an examination into the Military Assistance Program as it was administered and conceptualized by its overseers in the executive branch and as it was perceived and criticized -- and ultimately restrained -- by members of the Congress. Only by reviewing in detail the congressional - executive dialogue on military assistance as it developed through 1967 is it possible to determine with any accuracy either bureaucratic motivations in the prosecution of such a program (as an organ of foreign policy) or the real intentions of the Congress in choosing this issue for a test of influence. Throughout this thesis executive





officials and legislators speak their views of the Military Assistance Program, its goals, its faults, and its probable effects on both donor and recipient nations. Evidence of obfuscation or misapplication of the program on the one hand, or of its justification or propriety on the other, is presented insofar as possible from the direct testimony of those responsible for the Military Assistance Program. While the hearings which were held incident to the passage of restraining legislation serve as the source of the greater part of this congressional - executive dialogue, material drawn from congressional publications other than hearings, personal interviews, correspondence, and the press completes the dialogue and assists in keeping the issue of control of military assistance in perspective.

Three benefits accrue to utilization of this methodology in demonstrating the thesis: first, a certain continuity is permitted in addressing an exposition of the Military Assistance Program which was spread over a long time period; second, the fabric of questions and answers which comprise most of the dialogue clarifies in relief many of the intricacies inherent in the program; and, third, the reader is afforded the opportunity to draw his conclusions from the evidence in step with the author.

Effort has been made to provide all the material obtainable which is pertinent to this test of congressional influence on foreign policy without any bias either in selection or manner of presentation.





## The Nature of Congressional Influence

Students of American foreign policy have long realized that, at least since the beginning of this century, the Congress of the United States has generally deferred to the executive branch the function of innovation and has seemingly contented itself with legitimizing the decisions of the President and of his bureaucracy. There have been, of course, a few substantive exceptions to this apparent waiver of initiative -- the laws regulating immigration probably being the most notable. This is not to say that the Congress has, through the years, become disinterested in American foreign policy; on the contrary, there is ample evidence which indicates a growing willingness of the members of the Congress to question the decisions of the executive branch and to better inform themselves about international issues. This attitude, however, is one of reaction to programs already in progress -- seldom does it trigger new enterprise in the field of foreign relations.<sup>1</sup>

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1/ The reader is referred to James H. Robinson, Congress and Foreign Policy - Making, (Homewood, Illinois: The Dorsey Press, Inc., 1962) for an excellent analysis of legislative initiative. In Mr. Robinson's view, the most important example of congressional initiative in modern foreign policy was the Monroney Resolution of 1958, which led to the creation of the International Development Association. The author points out that, although more foreign policy proposals actually originate in the Congress than in the executive branch, the executive proposals are far more substantive and always receive the most attention by the pertinent committees in the Senate and the House of Representatives.



If the Congress has allowed the executive to take the lead in devising the essential manner and direction of foreign policy, it has in no way abdicated its function of exerting influence on either manner or direction. This it is empowered to do through certain prerogatives given it by the Constitution -- the Senate having the province of "advice and consent" over treaties and presidential appointments, and the House of Representatives that of budget appropriations. These and other prerogatives (more institutional than constitutional) permit the Congress to examine and evaluate proposed and ongoing endeavors in foreign policy undertaken by the executive branch. The procedure of examination and evaluation, coupled with the cardinal power of legislative approval or disapproval, constitutes congressional influence. Some understanding of this influence, its changing nature and its methods of application, is essential for both aspiring and practicing makers of foreign policy.

By way of providing a contribution to such understanding, this thesis investigates congressional influence on foreign policy as it was applied on an individual occasion through restraint on the Military Assistance Program -- one of the most ambitious and expensive ventures in international affairs ever entertained by the United States Government. Particular focus is directed upon congressional - executive interaction incident to the passage of the Foreign Assistance Act of 1967 and related legislation. A review of this interaction will serve to illustrate the most significant facets of congressional influence



-- among which are: the manner in which the Congress arrives at the conceptualization of an issue; the procedure of program examination as it is manifested in congressional hearings; the tendency to fragment issues according to personal philosophies (which makes comprehensive influence difficult to achieve); and the harnessing of congressional energies in the interest of passing legislation.

This review of the efforts of the Congress to project its collective will on United States foreign policy by legislating restrictive changes to the Military Assistance Program proceeds in the following order:

a. The Military Assistance Program (its background, supporting rationale, and development to 1967) is juxtaposed with the disquiet it caused among certain members of the Congress and with the challenge which was raised to it in early 1967.

b. Pertinent testimony from the several committee hearings held on the subject of the Military Assistance Program (as a part of the Foreign Assistance Act of 1967) and closely related subjects is set out, together with accompanying explanation and analysis, in an effort to represent the positions and opinions of the time as accurately as possible.

c. The enactment of legislation restraining the Military Assistance Program, in accordance with various congressional tastes, is recounted and followed by analysis of the administrative techniques employed by the executive branch in its response to the legislation.



d. Finally, this particular example of a congressional sortie against a relatively well-entrenched executive program is critiqued in terms of necessity, efficiency, and its likely impact on United States foreign policy.

## THE MILITARY ASSISTANCE PROGRAM

### Background and Supporting Rationale

It is probably fair to identify the first step toward the Military Assistance Program which was formerly established in 1961 with the \$400 million which President Harry S. Truman asked the Congress to provide for the defense of Greece and Turkey on March 12, 1947. The vast amounts of military assistance delivered to American allies during World War II under the "Lend - Lease" Program had been manufactured, shipped, and consumed in the interest of disposing of the Axis Powers. It was in response to a new threat from a different quarter that the United States embraced the Truman Doctrine ("... the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures."<sup>2</sup>) and, after a two year pause, recommenced sending military equipment abroad. Disillusioned with the post-war conduct of the Soviet Union and concerned with the existence of the newly won world order,

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<sup>2/</sup> U.S., Congressional Record, 80th Congress, 1st session, Vol. 93, pt. 2, (March 12, 1947), p. 1981.







the Congress strongly endorsed this opening campaign in what Walter Lippman called "the Cold War."<sup>3</sup> In contrast to the ambivalent and rather haphazard nature of the initial steps taken by the United States against the Axis, the Truman Doctrine, with its concomitant provision of military equipment, seemed a positive and laudable move. In the opinion of The New York Times, "the epoch of isolation and occasional intervention is ended; it is being replaced by an epoch of American responsibility."<sup>4</sup>

This first military assistance effort in aid of an anti-communist rationale, whether epochal or not, netted some success. The Soviet Union ceased making territorial demands on Turkey and, in October, 1949, the civil war in Greece ended with the defeat of the last communist guerrillas. By that time, however, Soviet attention had shifted to another focal point in Europe. The Berlin blockade (April, 1948 - May, 1949) and Soviet objections to the creation of a new German state (the Federal Republic) prompted the negotiation of the North Atlantic Treaty (signed April 4, 1949). In committing itself to its first formal military alliance with any part of Europe since 1778, the United States opted for collective security with the intimation that whatever responsibility prevailed was to be shared among the twelve

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<sup>3/</sup> Walter Lippman, The Cold War: A Study In United States Foreign Policy (New York: Harper, 1947).

<sup>4/</sup> The New York Times, March 12, 1947.



signatories.<sup>5</sup> The other members of the alliance, however, lacked the means to share in arming for a viable defense against Soviet aggression. Realizing this, they formally requested military assistance from the United States. Treated with some urgency -- perhaps due to the revelation, on September 23, 1949, that the Soviet Union had detonated a nuclear device -- this request was answered by the United States Government with the Mutual Defense Assistance Act (signed by President Truman on October 6, 1949), and, subsequently, (on January 27, 1950) with bilateral agreements which arranged for the transfer of United States military equipment to the European members of NATO.

In proposing the Mutual Defense Assistance Act to the Congress, the President had asked that the members authorize "military aid to free nations to enable them to protect themselves against the threat of aggression."<sup>6</sup> A total of \$1.4 billion was requested to establish the Mutual Defense Assistance Program. It would be the function of this program to administer three kinds of grant military assistance:

1. Machinery and materials to permit Europe to increase its

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5/ Belgium, Canada, Denmark, France, Great Britain, Iceland, Italy, Luxembourg, the Netherlands, Norway, Portugal, and the United States were the original members of the alliance. Greece and Turkey joined in February, 1952 and West Germany was formally admitted to membership in May, 1955.

6/ President Harry S. Truman, Message to the Congress, July 25, 1949, quoted in U.S. Department of Defense, Military Assistance Facts (Washington: U.S. Government Printing Office, 1966).



own production of military items without seriously interfering with economic recovery;

2. direct transfer of military equipment; and,

3. expert help in the production and use of military equipment and training of personnel.

The term "grant" meant, of course, "free" as far as the recipient countries were concerned. The Congress authorized and appropriated nearly all of the funds requested (\$1,314 million) and by April 1, 1950, the first aircraft and weapons were arriving in Europe. Military assistance which had been flowing to Greece and Turkey under separate legislation was incorporated into the Mutual Defense Assistance Program.

Another separate program of military assistance was also incorporated under the Mutual Defense Assistance Act. There had been one exception to the termination of military equipment transfers under the World War II "Lend - Lease" Program -- Nationalist China had continued to receive military assistance due to the exigencies of its internal struggle with the communists led by Mao Tse-tung. Between August 1945 and December 1946, the Nationalists received over a billion dollars of "lend - lease" military equipment.<sup>7</sup> Following Chiang Kai-shek's retreat to Formosa (Taiwan) in December 1949, and

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<sup>7/</sup> For information on United States military assistance to Nationalist China during the period 1945 - 1948, see U.S. Department of State, United States Relations with China (Washington: U.S. Government Printing Office, 1949).



in view of the "thirty-year treaty of friendship" which the Chinese Communist Government concluded with the Soviet Union (February, 1950), it was considered appropriate that Nationalist China should be added to the list of countries which were to receive free military assistance according to the new legislation. Thus, the Mutual Defense Assistance Program was stretched for the first time to respond to a threat other than that envisioned in its initial rationale.

When North Korea invaded South Korea on June 25, 1950, the "epoch of American responsibility" was discovered to contain another dimension -- the "free peoples" of the Truman Doctrine not only lived in Europe, it seemed, but elsewhere as well. George F. Kennan, as head of the Policy Planning Staff of the State Department in 1947, had advocated a policy of containment vis-a-vis the Soviet Union. He had characterized his proposed policy as being a "long-term, patient but firm and vigilant containment of Russian expansive tendencies." This containment, he warned, would have to be implemented "at a series of constantly shifting geographical and political points, corresponding to the shifts and maneuvers of Soviet policy."<sup>8</sup> Nearly a year after Mr. Kennan's idea had been aired -- and as a tactic to prepare the way for the North Atlantic Treaty -- the Senate was asked to approve a resolution authored by Senator Arthur H. Vandenberg (R - Mich.) which recommended the negotiation of "regional and other

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8/ George F. Kennan, "The Sources of Soviet Conduct," un-  
signed article/ Foreign Affairs, Volume XXV, July 1947, pp. 575-576.







collective arrangements for individual and collective self-defense."<sup>9</sup>

The Senate did so with only four dissenting votes. By the time of the Chinese Communist linkage with the Soviet Union, both the philosophical and, to some extent, the political framework for a whole system of containment alliances already existed. The Korean War and the Chinese Communist intervention (on November 26, 1950) opened up a whole new family of client states for the Mutual Defense Assistance Program. . . .

There was, during this early post World War II period, one other rationale (besides the aid to "free peoples" of the Truman Doctrine and the containment of communism philosophy which nourished NATO and other, later alliances) that brought about incorporation of states into a single comprehensive United States military assistance plan. Since the Philippines had been taken from Spain and formally annexed (in 1899), the United States had maintained bases in the archipelago by way of providing a serious presence in the Far East. Having had to "re-earn" those bases during World War II, and desiring to retain no less of a presence in the western Pacific after the war, it became necessary, with Philippine independence, to purchase rights for the continued use of the bases. This quid pro quo was arranged in the passage of the Philippines Military Assistance Act of 1946 and in a 1947 "base rights" treaty which secured for the United States

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9/ U.S., Congressional Record, 80th Congress, 2nd session, Vol. 94, pt. 6, (June 11, 1948), p. 7791.



99-year leases for fifteen army bases and naval operating areas.

As the primary rationale of containment of the Soviet Union and the Chinese Communists spawned clients for United States military assistance whose potential contribution to hostilities would be fighting men, this secondary rationale of free military assistance in return for base rights would generate its own small clientele.<sup>10</sup>

Whereas, despite its substantial initial budget (\$1,314 million), the new Mutual Defense Assistance Program amounted in 1950 to only 26.1 percent of total American foreign assistance, the Korean War and the rapid pace of European rearmament raised it to 69.8 percent in 1951 (with two giant appropriations totaling \$5,222.5 million).<sup>11</sup> With every prospect for future military assistance budgets being even greater, the administrative machinery responsible for the program required immediate overhaul.

#### The Mutual Security Act of 1951

Until 1951, the various efforts at military assistance -- and, indeed, all those of foreign assistance -- had been administered with little or no coordination by separate government agencies. Suddenly

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<sup>10/</sup> Examples of countries invited to enlist in NATO because of the base locations which they could contribute are Portugal (the Azores Islands) and Iceland (where the United States had enjoyed base rights in one form or another since 1941).

<sup>11/</sup> U.S. Department of Defense, Military Assistance Facts (Washington: U.S. Government Printing Office, 1966); see table at Appendix A.



confronted with all the budgetary trappings of a major program, the Truman administration requested of the Congress and received the authority to establish an overseer within the Executive Office of the President. This official, the Director of Mutual Security, would supervise all military, economic, and technical assistance provided by the United States to other countries. Under a newly designed Mutual Security Program lines of coordination were drawn between the Department of Defense and the Mutual Security Agency and the Technical Cooperation Administration of the Department of State. The military assistance budget administered by this Mutual Security Program in fiscal year 1952 was \$5,744 million -- the peak amount ever appropriated for this purpose. The planning and disbursement functions for this portion of United States foreign assistance (now 78.9 percent of the whole) fell to the Mutual Security Agency of the State Department and caused this office to dominate the other executive staffs associated with foreign assistance. Still another huge budget (\$4,219.8 million) in the next fiscal year led to the reorganization of the Mutual Security Agency; renamed the Foreign Operations Administration, its director was given the responsibility for continuous supervision and the general direction and coordination of all foreign assistance programs, including military assistance.

The Mutual Security Act of 1954 redistributed foreign assistance administrative authority once again, lodging the responsibility for military assistance within the Department of Defense and that for





economic assistance within a newly created International Cooperation Administration -- a semi-autonomous agency of the State Department. This arrangement functioned satisfactorily until 1961; the Director of Military Assistance within the Department of Defense administering to a growing number of recipient countries (from a gradually diminishing series of annual appropriations), while the Director of the International Cooperation Administration provided development loans and grants to a likewise growing number of recipients. By fiscal year 1961, the Eisenhower administration, through its ever-expanding system of alliances and mutual defense treaties (aimed at containing communism) had added over a dozen countries to those originally marked for post World War II military assistance. The list included (besides the NATO members, Nationalist China, and the Philippines): Spain and Ethiopia (new "base rights" countries); Thailand, Vietnam, Cambodia and Pakistan (members of the Southeast Asia Treaty Organization, or its separate protocol); Japan and South Korea (both of which were considered vulnerable to aggression in light of the Korean War experience); and Iran and Iraq (members of the original Baghdad Pact). In addition, military assistance had been dispatched to Jordan and Lebanon under the Eisenhower Doctrine (1957) and to Nicaragua and Honduras during the civil war in Guatemala (1954). Of all the Latin American republics, twelve were receiving small grants of military equipment the purpose of which was to aid them in insuring





internal security<sup>12</sup> -- and eight (Argentina, Brazil, Chile, Colombia, Cuba, Ecuador, Peru, and Uruguay) either had received surplus United States naval vessels or would receive them shortly. Even one Eastern European country, Yugoslavia, had been incorporated into the Mutual Security Program.<sup>13</sup>

### The Foreign Assistance Act of 1961

It should not be inferred that, despite the impressive amounts appropriated for military assistance during the years immediately following passage of the Mutual Defense Assistance Act, the United States was financing the entire cost of arming the non-communist world. In 1950, the NATO countries had defense expenditures of \$6.5 billion. In 1953 their expenditures had risen to \$12.8 billion, and in 1956 the European members of the alliances were spending \$13.1 billion for their own defense.<sup>14</sup> Thanks to the Marshall Plan,

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<sup>12/</sup> Although military assistance had actually been provided in the interest of maintaining "internal security" in the Philippines (against the Hukbalahap) and in Ethiopia (against dissident tribes), this rationale did not take its place alongside "containment of communism" and "base rights" as a formal purpose for military assistance until Cuba developed into a spearhead for communist insurgency in Latin America in the early 1960's

<sup>13/</sup> Ultimately the recipient of \$693.9 million in military assistance, Yugoslavia apparently felt itself sufficiently strong and independent of Soviet influence in 1954 to conclude a twenty-year alliance (the Balkan Pact) with Turkey and Greece, both members of NATO.

<sup>14/</sup> U. S. Congress, Senate, Mutual Security Act of 1957, Hearings Before the Committee on Foreign Relations, 85th Congress, 1st session, (Washington: U. S. Government Printing Office, 1957), p. 140.



the economics of at least some of the recipients of military assistance had recovered sufficiently to enable them to share in the expense of containing communism. With the success of the European Economic Community, after 1959 the major allies of the United States in NATO were able to reduce rapidly their requirements for grant military equipment.

In view of this factor and because of the number and geographical dispersion of the countries included in the Mutual Security Program, it was considered necessary in 1961 to revise once again the administrative structure of military and economic assistance.

The Foreign Assistance Act of 1961 replaced the Mutual Security Act of 1954 (which had been amended each year) and provided a comprehensive arrangement of the military and economic assistance efforts which had been developed under previous legislation and in response to evolving strategic and diplomatic philosophies. The new foreign assistance law empowered the President to establish the Agency for International Development within the Department of State, the function of which was the planning and supervision of all United States economic development assistance efforts in underdeveloped countries. The Secretary of State was given not only the responsibility for the plans and activities of this new agency (whose charter was limited to economic affairs), but also for the administration of military assistance



as well.<sup>15</sup> This Department of State hegemony over both types of foreign assistance reflected the steadily shrinking military assistance portion of the total foreign assistance package (slightly over 40 percent in 1961), but, more importantly, it also indicated a mutual desire of both the executive branch and the Congress to provide for the integration of the two kinds of assistance in the interest of a single coherent foreign policy.

The Secretary of Defense, under the Foreign Assistance Act of 1961, was given the responsibility for: the determination of military requirements (of the recipient countries); the procurement of military equipment; the supervision of the use of that equipment by recipient countries; the supervision of the training of foreign military personnel; the movement and delivery of military equipment; and, "within the Department of Defense, the performance of any other functions with respect to the furnishing of military assistance."<sup>16</sup> In view of the scope of the responsibilities of the Secretary of Defense, it is apparent that the realization of truly integrated economic and military

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15/ The Foreign Assistance Act of 1961 (U.S. Public Law No. 87-195, 75 Stat 424), Section 622, directed that "... the Secretary of State shall be responsible for the continuous supervision and general direction of the economic and military assistance programs authorized by this act, including, but not limited to, whether there shall be a Military Assistance Program for a country, and the value thereof, to the end that such programs are effectively integrated and the foreign policy of the United States is best served thereby." *[Italics supplied.]*

16/ The Foreign Assistance Act of 1961, Section 623.





assistance would depend as much as his efforts as upon those of the Secretary of State. Should the two assistance programs be found to be operating in conflict with each other in some country or region it would be likely that not only the Secretary of State would be at fault. The law had provided that official with the senior responsibility -- it would be incumbent upon him to so circumscribe the activities of his colleague in the Defense Department as to make his authority felt. If the integration of both facets of foreign assistance was to succeed the Secretary of State and the Secretary of Defense would have to impress upon their subordinates the importance of interdepartmental coordination -- especially in the decision making process.

#### Military Assistance Sales and the Decision Making Apparatus

Borne along by the momentum of its expenditures (nearly \$30 billion between 1950 - 1962) and nurtured by a sizable bureaucracy (over 15,000 military and civilians, U.S. and foreign nationals, of which nearly 10,000 were assigned overseas),<sup>17</sup> the business of dispensing free military equipment proceeded through 1961 and 1962 without causing stress on interdepartmental relations and without bringing into question the adequacy of whatever decision making

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<sup>17/</sup> U.S. Congress, Senate, Mutual Security Act of 1957, p. 515; see Appendix B for the functions of the Military Assistance Advisory Groups assigned to countries which receive equipment (or training) under the Military Assistance Program.





apparatus existed. With virtually all the likely candidates for alliances and mutual defense treaties already subscribed, the enrollment feature of the Secretary of State's assigned responsibility went unused.<sup>18</sup> Because it was the Secretary of Defense who determined requirements for military assistance, the other feature of the Secretary of State's responsibility -- determination of the value of each country's allotted military assistance -- also received little attention.

In 1962, however, it suddenly became obvious that the Department of Defense had not only been giving away military equipment through grants, but it had also been selling military equipment to those countries which could afford to make the purchases. Over the previous ten years these arms sales had amounted to an aggregate of 20 percent of all military assistance -- a significant amount, but still representing only a sideline.<sup>19</sup> There was though, a discernable trend in the relationship between grants and sales. As the cost of modern weapons and weapons systems rose, and as the ability of America's industrialized allies to pay such costs also grew, the United States Government sensed an opportunity to shift more of the

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<sup>18/</sup> In Africa, and particularly in the Congo (which experienced both some communist influence and a crisis in internal security) the United States initially elected to provide assistance through the medium of the United Nations rather than through bilateral defense agreements.

<sup>19/</sup> A table comparing the values of grants and sales from 1952 to 1969 is at Appendix C .



expense of collective security to those allies and, at the same time, to improve its own balance-of-payments situation.

For the first time, in 1962, the value of military equipment sold (\$1,485 million) exceeded that which was given free (\$1,314). Military assistance grants were clearly following a downward trend while sales were steadily growing -- curves showing these two progressions crossed that year and the evidence indicated that within several years the Military Assistance Program (as it was called after 1961) might simply become a sales agency for military equipment manufactured in the United States.

In an effort to secure congressional recognition (and, perhaps, legitimization) of this change in the character of military assistance, the executive branch requested that the following subparagraph be included in the Foreign Assistance Act of 1961 as it was amended for 1963:

The President shall regularly reduce and, with such deliberate speed as orderly procedure and other relevant considerations, including prior commitments, will permit, shall terminate all further grants of military equipment and supplies to any country having sufficient wealth to enable it, in the judgement of the President, to maintain and equip its own military forces as adequate strength, without undue burden to its economy.<sup>20</sup>

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<sup>20/</sup> The Foreign Assistance Act of 1961, Section 505 (c). This subparagraph was added to the act by Section 201 (A) of the amending legislation of 1963 (The Foreign Assistance Act of 1963).



Even as this explicit encouragement towards increased arms sales was being written into the law governing foreign assistance, the Department of Defense was adjusting its military assistance organization to facilitate greater emphasis on sales. The Office of International Logistics Negotiations was established under the direction of Mr. Henry J. Kuss, a career civil servant with extensive experience in weapons procurement and distribution.<sup>21</sup> As part of the International Security Affairs Division of the staff of the Secretary of Defense, this office exercised sales control across the spectrum of weapons produced within the United States. Within each of the Armed Services parallel sales offices were established -- their provinces being those weapons which their service had sponsored through initial development and production (for example: Army - HAWK missile; Air Force - F-5 jet fighter; Navy - P-3 maritime patrol aircraft).<sup>22</sup> Acting both independently and in concert these several sales offices accelerated the shift in the composition of military assistance from

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<sup>21/</sup> The organization and functions of this office will be shown in detail in later chapters.

<sup>22/</sup> Military Assistance and sales were administered within the Armed Services by the following offices: Army - International Logistics Directorate, under the supervision of a major general with a staff of 21; Navy - International Logistics Division, under the supervision of a captain with a staff of 14; and Air Force - Directorate of Military Assistance and Sales, under the supervision of a brigadier general with a staff of 18. (These numbers of personnel reflect the peak sales period, 1967 - 1969, -- there were probably fewer personnel assigned to these offices in 1962 and 1963.)





grants to sales. By 1966, grants amounted to only one-third of sales and by 1967, only one-quarter.

If the grant military assistance program had been relatively free of rough interfaces with the economic assistance program and with United States foreign policy as a whole, the suddenly burgeoning sales program might not be as free. The Secretary of State had had little cause to exert his lawful authority over the conduct of the Military Assistance Program so long as its implementation simply meant the delivering of free military equipment to recipients which he had already selected via the institution of treaties and agreements. Receipt of such equipment could hardly interfere with the economic development of the countries involved and, hopefully, would assist that development through making both internal and external national environments more secure.<sup>23</sup> The sale of arms, on the other hand, implied an expense on the part of the recipient and the concept of opportunity cost. -- alternatives forfeited -- had to be considered. Scarce resources spent for jet aircraft could not be spent for schools, hospitals or other building blocks of development. The sales of arms also implied a profit making business and might reawake the image (from the inter-war years) of "merchants of death." Decisions on arms sales clearly had to be weighed by an executive apparatus

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<sup>23/</sup> There was, of course, always the risk of arming countries which were, within their own regional area, potential enemies -- and thus, providing the wherewithal for regional conflicts (for example, Greece and Turkey, El Salvador and Honduras, India and Pakistan).





appropriate to the task -- giving free rein to an energetic sales program would be shirking the responsibilities inherent in the military assistance legislation.

It should be made clear that arms sales decisions are really twofold -- exactly what arms should be sold, and who should be allowed to buy them. If the promotion of a beneficial balance-of-payments is the only consideration, then sales emphasis should be on the most expensive items of military equipment, such as high performance supersonic jet aircraft and elaborate electronics systems. If, however, the optimum force composition of the purchasing country is considered a more important goal, then emphasis should be placed on encouraging sales of the kinds of equipment that contribute to that composition. For example, if military assistance -- either grant or sales -- is justified to a certain Latin American country in the interest of internal security (against, perhaps, some communist inspired insurgency), the optimum force composition for that country should include light reconnaissance aircraft, helicopters of several types, and communications equipment. Supersonic fighters, tanks, and submarines simply would not correspond to the supporting rationale for military assistance. If that assistance consisted of grants -- the country lacking (in the language of the Foreign Assistance Act) "sufficient wealth . . . to maintain and equip its own military forces" -- then in all likelihood, the small aircraft, helicopters, etc. would be programed, delivered and employed with no controversy. However, should the same country



qualify as having "sufficient wealth," to substitute sales for grants, the new ingredient of buyer's choice is introduced and the administrators of the Military Assistance Program must deal with a country which might choose to achieve "internal security" with supersonic fighters, tanks, and submarines. Of course, in this case, the buyer's choice is influenced by goals other than internal security (prestige, fear of an aggressive neighbor, dreams of territorial expansion, or simply a hunger for greater military sophistication).

Administrative response to sales requests for military equipment which have no relation to supporting rationale may range from outright refusal, through compromise (agreement to sell some token fighters, tanks, etc. in return for at least some of the desirable purchases of real counter-insurgency equipment), to complete acquiescence. Pursuing either extreme invites estrangement from the allied country on the one hand or the prostitution of military assistance on the other. The degree of success enjoyed along the middle road of compromise depends directly upon the amount of influence which the United States can exert on the will of the buying country. The influence, in turn, depends upon many factors -- not the least of which is the relationship between that country's military leaders and the representatives of the Military Assistance Program (Military Assistance Advisory Groups) assigned locally to carry out the legal responsibilities of the Secretary of Defense (supervision of the use of equipment, supervision of training,



etc.).<sup>24</sup>

If decisions about the kinds of arms which should be sold pose a variety of difficulties, so too do decisions about which countries should be allowed to buy arms. Whether or not a country is to be included in the Military Assistance Program is, according to the Foreign Assistance Act of 1961, clearly up to the Secretary of State. Whether or not a country, once included in the Military Assistance Program, should receive military equipment in grant form, or, if of "sufficient wealth," should be asked to purchase its military equipment, is a decision which the Foreign Assistance Act entrusted to the President of the United States. Evidence of the making of the first decision is usually clear and obvious -- the Secretary of State negotiates treaties and agreements for mutual defense assistance. Evidence of the making of decisions as to which countries should be

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<sup>24/</sup> In regard to the selection of arms to be sold, the International Logistics Negotiations office (ILN) within the staff of the Secretary of Defense has always had somewhat wider latitude than its sales counterparts in the Armed Services. The latter are normally required to adhere to the recommendations for foreign force compositions agreed to by the Joint Chiefs of Staff in their annual Joint Strategic Objectives Plan, Volume III (Free World Forces). The ILN, however, being subordinate to the Secretary of Defense, but not to the Joint Chiefs of Staff, is free of this particular constraint. Another constraint, of which even ILN is not entirely free, is that of classification. Each of the Armed Services is responsible for approving the release of any weapon the development of which it has sponsored. It is conceivable that the Secretary of Defense might exert pressure on the services to expedite release of certain weapons to facilitate good balance-of-payments sales negotiated by ILN. New and sophisticated weapons are susceptible to inclusion in large military sales packages as "sweeteners" -- the temptation to so include such weapons in the interest of making sales is naturally inherent in any energetic arms sales program.





grant recipients and which countries sales recipients is less clear -- and evidence of the making of decisions about sales to countries not in the Military Assistance Program or not allied in any way with the United States is less clear still.

By 1966, the United States was providing grant military assistance to 58 countries; of these, 45 countries were also purchasing military equipment from the United States.<sup>25</sup> The monetary values of those concurrent transactions under the Military Assistance Program varied widely -- the underdeveloped "containment" countries having the highest grant/sales ratios: Turkey - \$100.5 million/\$0.5 million; Greece - \$78.7 million/\$0.6 million; and Nationalist China - \$76.5 million/\$1.3 million. The industrialized allies which still required grant military assistance reversed the grant/sales proportion: Italy - \$3.2 million/\$57.2 million; Japan - \$1.2 million/\$18.8 million; and the Netherlands - less than \$50,000/\$15.8 million. In the low value range of grant/sales ratios were countries whose identification with the supporting rationale of the Military Assistance Program was, at best, only tenuous: Austria - less than \$50,000/\$4.1 million; Mexico - \$0.2 million/\$0.6 million; and Malaysia - \$0.2 million/\$0.1 million.

Of the 13 countries which were receiving only grant military assistance in 1966, the two most vulnerable underdeveloped "contain-

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<sup>25/</sup> U.S. Department of Defense, Military Assistance and Foreign Military Sales Facts, March 1971, (Washington: U.S. Government Printing Office, 1971), pp. 10-11, and pp. 22-23; also see tables at Appendix D.





ment" countries received large amounts of military equipment: Korea - \$153.1 million, and Vietnam - \$169.9 million. The other 11 recipients of free military equipment included: Uruguay - \$2.5 million; Guinea - \$0.7 million; Mali - \$0.5 million; and, with less than \$0.5 million each, Afghanistan, Nepal, Senegal, Sudan, Costa Rica, Panama, Syria, and Upper Volta. From this list it is obvious that the "American responsibility" for "free people" which had fostered military assistance under the Truman Doctrine had come to be broadly interpreted.

Among the 13 countries which were receiving only sales of military equipment in 1966, the most industrialized NATO allies absorbed the greater share: West Germany - \$373.8 million; Britain - \$66.2 million; France - \$45.8 million; and Canada - \$37.7 million. The lesser industrialized allies of the ANZUS alliance followed: Australia - \$66.2 million, and New Zealand - \$9.1 million. Of the remaining "sales only" countries, Switzerland purchased \$7.9 million; South Africa - \$1.9 million; Sweden - \$0.8 million, Yugoslavia - \$0.4 million, Luxembourg - \$0.3 million and the United Arab Republic - less than \$50,000. Israel purchased an undisclosed amount of military equipment.

Within all three categories -- "grant only," "sales only," and "grant and sales" -- were countries of widely different affiliation with the United States, with each other, and with the various rationales which had generated the Military Assistance Program. One would be



hard pressed to make a case that Mexico, Upper Volta, or, for that matter, the United Arab Republic were contributors to the containment of communism or that they were likely providers of strategic bases -- nor were any of them suffering from serious crises in internal security. The justification, it seems, for the United States having extended military assistance to these and many other countries of the "third world" was probably competitive influence. The experience with Yugoslavia (see footnote 13) may have indicated to strategic planners in the Departments of State and Defense that military assistance could be a useful ingredient in any scheme for winning away potential friends or allies of the communist enemy. In countries wherein social, economic or political factors caused pressure towards friendship with the communist powers - or even, simply, neutrality in the "cold war" -- American military (and economic) assistance might provide enough influence to bring about a change in direction. If, then, influence was still another supporting rationale for military assistance, it had not, by 1966, really been publically identified.

Given the long list of countries which had been included in the Military Assistance Program and the various rationales, stated and unstated, for their inclusion, one might well have inquired as to the decision making process which had yielded such results. Beyond the obvious question of who, exactly, was making the decisions (presumably the President and the Secretary of State had not abandoned their responsibilities under the Foreign Assistance Act) laid the many considerations



which begged to be taken into account throughout the process. For example; was it sensible (or legitimate) to incorporate so many countries, helter-skelter, within a program whose original rubric might not be stretched far enough to encompass them; were the variety of country programs really integratable as parts of a whole and coherent foreign policy; was the United States without responsibility for the use of weapons which it had provided in conflicts which it had not foreseen or sanctioned; was the capacity of the United States for providing military assistance limitless; were the profits drawn from the mushrooming arms sales program immune from moral criticism -- particularly when the buyer had made purchases at the expense of economic and social requirements? If these and other considerations had, in fact, entered into military assistance decision making prior to 1966 it does not appear that they were reviewed in any formal way. Military assistance straddles the line between defense planning and foreign policy; its purpose and execution satisfy demands and expectations in both areas. It was not unreasonable then to have looked to both the Department of Defense and the Department of State for joint parenthood of military assistance decisions. Until 1966, however, there was little evidence of the kind of institutional interdepartmental coordination that could guarantee comprehensive decision making by the responsible departments.





## The Senior Interdepartmental Group

Although there had not yet been much criticism vis-a-vis the foreign policy (and military assistance) decision making process, the primary decision makers themselves apparently came to the conclusion, early in 1966, that the instruments of foreign policy -- such as arms sales -- were fast growing beyond the capability of any informal system (or non-system) of coordination to control adequately. Executive response to this problem was the following presidential announcement of March 4, 1966.

The President today discussed with his Cabinet and other high officials a new procedure, which he has approved, for the purpose of modernizing and streamlining the executive branch of Government in the conduct of foreign affairs.

In order to assist him in discharging his responsibility for the conduct of foreign affairs, the President has directed the Secretary of State, as his agent, to assume responsibility to the full extent permitted by law for the overall direction, coordination, and supervision of interdepartmental activities of the United States Government overseas . . . . Up to now, the Secretary of State, assisted by the regional Assistant Secretaries has performed a coordinating function in interdepartmental matters abroad. Now he has received formal and specific directive authority from the President. While the term "interdepartmental matter" has not been specifically defined, in the present context it covers those activities abroad involving more than a single department or agency, or which is of such a nature as to affect significantly the overall U.S. overseas program in a country or region. /The Military Assistance Program was, then, to be subjected to this new procedure.7

To assist the Secretary of State in this new role, there will be a permanent interdepartmental committee, called the Senior Interdepartmental Group (SIG), with





the Under Secretary of State as its "Executive Chairman." The latter term is used to describe a chairman who has the authority and responsibility to decide all matters coming before his committee, subject to the right of any member to appeal from his decision to higher authority. This is an important provision which makes the difference between the normal committee and an incisive, decision making body. /Italics supplied./<sup>26</sup>

Henceforth, if it had not previously been the case, the Department of State (in the person of the Under Secretary) would have clear responsibility for insuring that foreign policy decisions in matters such as the conduct and control of the Military Assistance Program (which was now under the jurisdiction of the SIG) would receive proper review by all the departments and agencies concerned. For the first time, apparatus was created which would implement the directive of the Foreign Assistance Act of 1961 -- "to the end that the economic and military assistance programs are effectively integrated and the foreign policy of the United States is best served thereby."<sup>27</sup> The composition of the SIG was to be as follows:

The other regular members of the Senior Inter-departmental Group are: the Deputy Secretary of Defense, the Administrator of AID the Agency for International Development, the Director of CIA the Central Intelligence Agency, the Chairman of the Joint Chiefs of Staff, the Director of USIA

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<sup>26/</sup> "Announcement of New Procedures for Overseas Interdepartmental Matters," reproduced in U.S. Congress, Joint Committee Print, Legislation on Foreign Relations with Explanatory Notes, (Washington: U.S. Government Printing Office, 1968), pp. 432-435.

<sup>27/</sup> The Foreign Assistance Act of 1961, Section 622.



/the United States Information Agency/, and the Special Assistant to the President for National Security Affairs. The Chairman will invite representatives of other departments and agencies when they have an interest in the matters under consideration.<sup>28</sup>

It is of interest to note that, although the Defense Department was represented on this high decision making board (second only to the Cabinet in executive rank) by both the Deputy Secretary of Defense and the Chairman of the Joint Chiefs of Staff, the officer analogous to the Administrator of AID (the Director of Military Assistance) was not included. If this was a serious flaw in the organization of the SIG it would not be discovered for over a year -- and then not by the executive branch, but by the Congress.

There was another government official who was overlooked for membership in the SIG -- the Director of the Arms Control and Disarmament Agency.<sup>29</sup> If the Military Assistance Program met the definition of an "interdepartmental matter" and thus, came under

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<sup>28/</sup> "Announcement of New Procedures for Overseas Interdepartmental Matters," p. 432.

<sup>29/</sup> The United States Arms Control and Disarmament Agency was established in September 1961, in response to President Kennedy's interest in reducing the threat of nuclear war and his concern over the development of the independent French nuclear deterrent, the latest Soviet test series (September - November 1961, with 50 explosions, one of which was 58 megatons), and the suspension of the Geneva test-ban talks. The primary function of this agency was to prepare the U.S. position at the Eighteen Nation Disarmament Conference at Geneva which began in March 1962. Despite its preoccupation with nuclear arms control, ACDA is chartered to exert efforts towards the control of international traffic in conventional arms.



the jurisdiction of the SIG -- and if, by 1966, the Military Assistance Program was distributing, through both grants and sales, \$1,470 million worth of arms and military equipment to 58 countries -- then surely permanent membership on the SIG was justified for the official

"responsible for the conduct, support, and coordination of research for arms control and disarmament policy formulation."<sup>30</sup> The Director of ACDA, however, was not included in the top policy making apparatus. Surely, there was provision for his attendance on an invitational basis -- just as the Director of Military Assistance could conceivably have been invited to meetings wherein he might have had "an interest in the matters under consideration." Again, it would be the Congress which would discover (after a year of SIG operation) that the occasion of such invitations was extremely rare.

The presidential announcement explained the purpose for establishing the SIG.

The Senior Interdepartmental Group will function as a focal point for decisions and actions on overseas interdepartmental matters which are referred to it by the Secretary of State or by an Assistant Secretary of State, or raised by the action of an individual member. Any department or agency not a member may also raise matters for action by the Group. /Italics supplied./<sup>31</sup>

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<sup>30/</sup> The Arms Control and Disarmament Agency Act of 1961, 22 U.S. Code 2551, 75 Stat. 631.

<sup>31/</sup> "Announcement of New Procedures for Overseas Inter-departmental Matters," p. 432.





Any student of government with even a passing awareness of the likely interaction between the favorite preoccupations of the ordained members of the SIG would not be very optimistic about matters dear to nonmembers ever competing successfully for attention. The difficulty of overcoming institutional inertia (such as by raising a matter out of a nonmember agency or department and placing it in competition for SIG consideration) can never be underestimated in any large bureaucracy. As if to reassure those not chosen for membership, the announcement concluded,

In establishing the Senior Group . . . it created a regular meeting place for the key officials involved in overseas activities and assures decisive action by giving unusual authority to the "Executive Chairman." These meetings also assure the departments and agencies primarily involved in overseas affairs a forum in which all views can be expressed in advance of decisions. The departments and agencies with occasional interest will be invited to attend these meetings when there are matters affecting them on the agenda, or they may propose matters for the agenda. In any case, their representative will have the same rights as the regular members when their business is being considered.<sup>32</sup>

The overseas business of the United States Government being vast, and occasions at which all the important members of the SIG could be gotten together for meetings necessarily infrequent and of short duration, additional decision making apparatus was established at a lower stratum.

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<sup>32/</sup> "Announcement of New Procedures for Overseas Inter-departmental Matters," P. 433.





Beneath the Secretary of State and the Senior Interdepartmental Group, the regional Assistant Secretaries of State will occupy important focal positions in the channel of responsibility for overall direction, coordination and supervision of interdepartmental matters in the regions of their responsibility. The Assistant Secretaries will serve as Executive Chairmen of Interdepartmental Regional Groups (IRG), analogous in membership and responsibilities to the Senior Interdepartmental Group. They will work closely with U. S. Ambassadors and the country teams abroad and will assure the adequacy in their regions of U. S. policy, plans, programs, resources, and preformance. It is at this level that the volume of work will be done, leaving for the Senior Interdepartmental Group only the major problems. As in the case of the Senior Group, the new arrangements are for the purpose of expediting decision and action. /Italics supplied./ 33

Under the new procedure, it would seem then that many problems not considered to be "major" would be decided by Assistant Secretaries of State (as Executive Chairmen on the IRG's -- with the advice of their counterparts in rank from the Defense Department, the JCS, AID, CIA, USIA, and the White House Staff). Exactly what would constitute a "major" problem was never defined. It was possible therefore, for decisions as to the addition or subtraction of countries under the Military Assistance Program to be made at the Assistant Secretary of State level. It was possible that decisions concerning which countries would receive grant military assistance and which countries would receive sales (and which would receive a combination of grant and sales) would be made at the same level. It was even possible that a decision

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33/ "Announcement of New Procedures for Overseas Interdepartmental Matters," p. 433.



could be made to sell arms to a country without the Director of the Arms Control and Disarmament Agency being consulted, without the Administrator for AID and the Director of Military Assistance integrating the decision within their separate programs on a face to face basis, and without the Under Secretary of State and the Deputy Secretary of Defense (much less their superiors, the Secretaries themselves) ever meeting to formally consider the problem or review the decision. The new arrangements could certainly "expedite" decision and action -- but would the SIG and the IRG's so police their activities that decisions made and actions taken would reflect the serious deliberations of those members of the executive branch charged by the Congress with the responsibility for them? The Congress itself would be the judge.

Subsequent chapters of this thesis will show that the Congress, in 1967, repeatedly questioned officials of the administration as to the arms sales decision making procedure. The testimony of these officials make it clear that the SIG was, in fact, contributing very little in the way of executive deliberation or supervision -- the actual decision making apparatus still seemed as ill-defined as it did prior to the presidential announcement which established the SIG.

## THE ROLE OF THE CONGRESS IN LEGISLATIVE OVERSIGHT OF MILITARY ASSISTANCE

### The Changing Function of the Congress

A House Report of ten years ago rather wanly pointed out that,



... it is eminently clear that the role of the Congress in determining national policy, defense or otherwise, has deteriorated over the years. More and more the role of Congress has come to be that of a sometimes querulous but essentially kindly uncle who complains while furiously puffing on his pipe but who finally, as everyone expects, gives in and hands over the allowance, grants permission, or raises his hand in blessing, and then returns to the rocking chair for another year of somnolence broken only by an occasional anxious glance down the avenue and a muttered doubt as to whether he had done the right thing.<sup>34</sup>

This self-depreciating critique was probably accurate -- at least in the sense that the Congress has over time deferred more and more to the executive for the initiation of policy; this being particularly true in regard to foreign policy. If the Congress, however, has paid less attention to the initiation of legislation, it has sharpened its focus many times over in the business of administering legislation. The acts of handing over allowances, granting permission, and bestowing blessings are the functions of administration.

Perhaps the most important function available to the Congress in the administration of the law is the power of investigation.<sup>35</sup> The

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<sup>34/</sup> U.S. Congress, House of Representatives, House Report No. 1406, 87th Congress, 2nd session, (Washington: U.S. Government Printing Office, 1962), p. 7; quoted in Samuel P. Huntington, "Congressional Responses to the Twentieth Century," The Congress and America's Future, (Englewood Cliffs, N.J.: Prentice Hall, Inc., 1965), p. 24.

<sup>35/</sup> There are, of course, several other functions in this regard -- impeachment being the most drastic. Congress more routinely exercises control over executive implementation of the law through audit (performed by the Government Accounting Office, established in 1921, which is independent of the executive and responsive to the Congress), and through the legislative veto. The latter being a procedure which began in about 1932, whereby specified executive decisions are





Legislative Reorganization Act of 1946 enjoined the Congress to exercise continuous watchfulness over the way in which the executive branch implemented legislation. The LaFollette - Monroney Joint Committee on the Organization of Congress published a report in 1946 on which the Reorganization Act was based. The report noted that,

While the Constitution directed the separation of powers between the executive and legislative branches, it did not intend them to go separate ways and in opposite directions. Each year the gulf between Capitol Hill and the departments widens. And without effective legislative oversight of the activities of the vast executive branch, the line of democracy wears thin. Only one man out of 3,000,000 Federal employees is elected by and is directly responsible to the people.<sup>36</sup>

By way of narrowing the gulf between the Congress and the executive departments, this report recommended that,

... the standing committees of both houses be directed and empowered to carry on continuing review and oversight of legislation and agencies within their jurisdiction; that the subpoena be given them; and that the practice of creating

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required to be submitted to the Congress or its committees for a waiting period before going into effect. During the waiting period, usually 60 days, the decision may be disapproved in one of several ways by the Congress. The reader is referred to Joseph P. Harris, Congressional Control of Administration, (Washington: The Brookings Institution, 1964) for an excellent treatment of these congressional functions.

<sup>36/</sup> U. S. Congress, Joint Committee Report on the Organization of Congress, (Washington: U. S. Government Printing Office, 1946), quoted in Harris, Congressional Control of Administration, pp. 249-250.





special investigating committees be abandoned.<sup>37</sup>

The Legislative Reorganization Act did not abandon special investigating committees (the House of Representatives struck that provision from the act), but it did provide the means for continual review and oversight by the standing committees which had been recommended. The right of the Congress to conduct investigations in regard to the expenditure of public funds had been established in 1792, when the House of Representatives adopted a resolution to establish a special committee to investigate the defeat of General St. Clair's expedition against some Indian tribes in the Northwest Territory. Between that time and the passage of the Reorganization Act the investigative power of the Congress had been used rather sparingly (the investigation into the conduct of the Civil War, the investigations into the scandals of the Harding administration, and the Nye Committee investigation into the munitions industry being perhaps the three most prominent incidences). After 1946, however, the powers provided to the standing committees of the Congress encouraged those committees to conduct frequent investigations.<sup>38</sup> As examples of this increased use of the

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<sup>37/</sup> U. S. Congress, Joint Committee Report on the Organization of Congress, p. 249.

<sup>38/</sup> These powers were: authority to subpoena witnesses, authority to require the production of papers, and the authority to spend \$10,000 per committee each Congress on investigations. All standing committees of the Senate were granted these powers, but only four of the House Committees received them -- Appropriations, Government Operations, Un-American Activities, and Rules.



investigative function: from 1789 to 1925 there were 285 investigations; in 1950 through 1951, one Congress alone (the 82nd) voted 236. In 1940 the Senate spent \$170,267 for investigations -- in 1952 it spent \$1,639,040.<sup>39</sup>

As the Congress became used to the process of investigation it seems fair to say that the difference between the role of a Senator or Representative as an "investigator" and the traditional role of simple legislator gradually grew clouded and, on occasion, might have disappeared altogether. A presumption of administrative (or legal) fault is more often than not associated with the raison d'etre of congressional investigations -- hence, the investigators normally assume detective attitudes. The routine passage of legislation, on the other hand, has, since the beginning of the Republic always been preceded by institutionalized dialogues in search of information -- these dialogues are known as "hearings" and their public record provides the legislative history of the bills passed by the Congress (together, of course, with the record of debates incident to the passage of the bills). Although congressional hearings, at which testimony is taken by appropriate committees from members of the executive branch and other qualified witnesses, have

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<sup>39/</sup> Harris, Congressional Control of Administration, pp. 264 - 265. Figures for the investigative expenditures of the 86th Congress indicate that the Senate Foreign Relations Committee spent \$705,000 from 1959 to 1961, ranking it fourth below the Judiciary, Interstate and Foreign Commerce, and Government Operations Committees.



been characterized as "pseudo-adversary proceedings,"<sup>40</sup> their purpose is not to root for evidence of fault. Rather, hearings normally fulfilled the requirement of congressional committees for detailed information on executive proposals and afforded both the Congress and the executive branch a formal opportunity to engage in philosophical discussion relative to those proposals.

Members of the Congress who have, over and over again, participated in investigations and who have both developed expertise in interrogation and won public acclaim through their performances might understandably be unwilling to put aside that expertise or to forfeit more acclaim when their business is to conduct hearings. There are numerous examples of hearings held in recent years which have truly amounted to investigations. Excepting that executive witnesses appear voluntarily, rather than on subpoena, and that pertinent papers (proposals in support of legislation, etc.) are willingly provided, rather than produced on demand, the remaining trappings of an investigation are frequently in evidence at hearings. The example most germane to our subject were the hearings which the Senate Foreign Relations Committee conducted on the Foreign Assistance Act of 1966. The facts that these hearings

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<sup>40/</sup> Richard F. Fenno, Jr., The Power of the Purse -- Appropriations Politics in Congress, (Boston: Little, Brown and Company, 1966), p. 328. Professor Fenno points out that congressional committee members sometimes adopt the role of "prosecutors" in eliciting testimony from executive witnesses in order to insure that the public record of the hearings will provide sufficient justification for granting the funds or authority requested by the executive departments. Sometimes, too, they will play the role of "devil's advocate" in order to draw out the most telling arguments (or to probe weak points) for future use in floor debates.





were televised nationwide -- at the insistence of the committee chairman, Senator J. W. Fulbright (D - Ark.) -- were attended at all times by the majority of the committee, were monitored closely by counsels in committee employ, and served as a forum for the insinuation of executive fault (in this case, for the Vietnam war), all gave the distinct impression that a congressional investigation was in progress.<sup>41</sup> As times goes on, it may happen that hearings will become even more synonymous with investigations until the simple inquiry for information and philosophy will become completely subsumed within the more aggressive and suspicious instrumentality of investigation. It is interesting that this increasing emphasis on legislative oversight (with a potential, through investigative powers, for much greater emphasis in the future) has so neatly coincided with the increasing dominance of the executive branch in the initiation of legislation -- analysis of these parallel developments is, unfortunately, beyond the subject of this thesis.

### The Power of Standing Committees

In addition to providing the Congress with a greater bias toward investigations, the Legislative Reorganization Act also concentrated greater power in the hands of the chairmen of the standing committees.

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<sup>41/</sup> For details of circumstances accompanying these hearings see: The New York Times, April 18, 19, 20, 21, 1966 and May 11, and 12, 1966. For the text of the hearings see: U.S. Congress, Senate, Foreign Assistance, 1966. Hearings Before the Committee on Foreign Relations, 89th Congress, 2nd session, (Washington: U.S. Government Printing Office, 1966).





Where there had been 81 such committees, the act reduced the number to 35, thus subordinating more members of the Congress to the chairmen of those committees elected to remain. Committee chairmen are elected by either the whole Senate or the whole House of Representatives and are normally the member of the majority party with the longest continuous service on their respective committee. Once elected, the chairmen have the power to call the meetings of their committees, over which they preside, and to fix the agendas (in so doing, they decide which bills will be considered and which ignored). Moreover, the chairmen create subcommittees and appoint their members. It is within the chairmens' prerogatives to participate in the work of the subcommittees which they have established. No activity of a standing committee, such as the selection of witnesses or the request for special information from the executive branch, may be accomplished without the approval of the committee chairman. It would be difficult to imagine, for instance, a subcommittee chairman failing to coordinate the scheduling of hearings for his group with the chairman of the whole committee -- or for such a subordinate to initiate press releases without first obtaining clearance from the chairman who is expected to be the spokesman for the special province of the whole committee.<sup>42</sup> One student of the Congress has noted that,

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<sup>42/</sup> For an excellent description of the role and role behavior of the chairman of the House Committee on Appropriations see: Fenno, The Power of the Purse, pp. 136-160.



The Committee Chairman possess the greatest capacity for rewarding conformity or punishing deviation on the part of other Committee members. Most tangibly, he controls the size, number, jurisdiction, and membership of subcommittees. Newcomers, whose future hangs in the balance on their subcommittee assignment, feel the weight of these sanctions most heavily. But many an experienced member covets a more favorable subcommittee berth or, indeed, a subcommittee chairmanship. In less tangible ways, too, the good will or good offices of the Committee Chairman are valuable assets for any member to whom they are extended.<sup>43</sup>

This consolidation of power in the hands of the relatively few committee chairmen probably accounts for the legislative success of those bills which bear the chairmens' blessings. A study of the legislative activity of the Senate Foreign Relations Committee has indicated that not only has that committee held a growing monopoly on the introduction of foreign affairs proposals which originated in the Senate (70 out of 120 in the 81st Congress, 106 out of 167 in the 85th Congress), but that of the bills which have been reported by the Foreign Relations Committee the vast majority have been those which were introduced by its own members (166 out of 219, during the 10-year sample, 1949 to 1958).<sup>44</sup> Further

Once the Senate Foreign Relations Committee reports a bill or resolution, the chances are higher than 9 out of 10 that the Senate will pass it. During the years 1949 - 1958, the Senate up-

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<sup>43/</sup> Fenno, The Power of the Purse, p. 228.

<sup>44/</sup> Robinson, Congress and Foreign Policy Making, p. 16.



held the Committee's position on 201 of these 219 bills which reached the floor. Although the Committee's recommendations were amended in about 20 percent of the cases, the overwhelming practice was to pass its bills without a roll-call vote. Roll-calls were taken on only 17 bills, only one of which was defeated, and that one was reported adversely by the Committee.<sup>45</sup>

Despite the fact that the legislative purview of the House Committee on Appropriations is considerably different than that of the Senate Committee on Foreign Relations, the success of bills recommended by the former seems to have been comparable with that of the latter.

Another study has shown that during the period from 1947 to 1962, out of 575 Appropriations Committee decisions on budget recommendations, the whole House of Representatives voted to accept 89.9 percent.<sup>46</sup>

The study states that,

Committee success can be explained by a number of factors whose weight may differ depending on the situation. In the first place, the Committee can manipulate the floor contest to its advantage by controlling the flow of its bills to the floor, by restricting the spread of information, by minimizing the influence of party leaders, and by dominating floor participation. In the second place, the Committee operates under favorable conditions in the Committee of the Whole House. The rules making provision for a quorum and those specifying

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<sup>45/</sup> Robinson, Congress and Foreign Policy Making, p. 16. There are, unfortunately, no studies which provide comparable data for the years immediately preceding 1966; however, this data serves to illustrate the point about committee power and only evidence of a major shift in trend would be relevant to consideration of the material in the subsequent chapters of this thesis.

<sup>46/</sup> Fenno, The Power of the Purse, p. 450.





amending and voting procedures bestow advantages on the Committee. The Committee also benefits from the inability and the unwillingness of House members to devote their scarce resources of time, energy, and legislative credit to a consistent or concentrated, or conflict-producing consideration of appropriations legislation.<sup>47</sup>

Legislative oversight of the Military Assistance Program would be a duty of both of these committees and also of the House Committee on Foreign Affairs and the Senate Committee on Appropriations. (It would also, to some extent, become the duty of the Senate and House Committees on Banking and Currency.) It may be helpful, therefore, in subsequent chapters of this thesis to recall both the degree of success which the committees had traditionally enjoyed in having their recommendations approved and also the privileged and powerful position of the chairmen.<sup>48</sup>

### Congressional Oversight of the Military Assistance Program

Utilization of the hearings incident to review of the Foreign Assistance Act of 1966 by Senator Fulbright to air his displeasure with American involvement in Vietnam served to focus more than usual attention on the Military Assistance Program (which was a portion of

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<sup>47/</sup> Fenno, The Power of the Purse, p. 500.

<sup>48/</sup> Lists of the members of the several committees and sub-committees which became involved in legislative oversight of the Military Assistance Program and biographical notes on members of the Congress who most affected that oversight are at Appendix E .





the Foreign Assistance Act). The Congress had, of course, been aware of the existence and the progress of the Military Assistance Program since its inception. Through the reviews associated with the annual authorization and appropriation for the program the members of the Congress had been apprised of each aspect of the program's development. Whether or not that appraisal was adequate to suggest all the ramifications of the program as its arms sales function grew was another matter.

One member of the Congress, Senator Eugene J. McCarthy (D-Minn.), was alarmed at those ramifications which he discerned and, in an article published in July 1966, provided what might be considered a keynote for the congressional criticism which was to follow.<sup>49</sup> The Senator noted the change in the composition of military assistance from grants to arms sales and the predominant position of the United States in the world arms market. He pointed out that beyond the principal purpose of military assistance (being "to strengthen recipient countries against communist aggression and subversion") certain new pressures had combined to increase the arms supply. In the Senator's view, these included: the desire of newly independent countries for prestige; United States and Soviet competition for influence "in areas adjacent to the sphere of influence of the other power;" and the United States balance

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<sup>49/</sup> Eugene J. McCarthy, "The U.S.: Supplier of Weapons to the World," Saturday Review, July 9, 1966.



of payments deficit.<sup>50</sup> The active participation by the United States Government in a policy of expanding military assistance had, Senator McCarthy wrote, the undesirable effect of fueling regional wars. Citing the India-Pakistan war (of 1965) as a "prime example," he quoted the following testimony by John Kenneth Galbraith before the Senate Foreign Relations Committee.

The arms we supplied ... caused the war between India and Pakistan ... If we had not supplied arms, Pakistan would not have sought a military solution /to the Kashmir dispute/.<sup>51</sup>

Another example was the Middle East where, according to Senator McCarthy,

The United States appears to be abandoning its traditional policy of non-involvement in the Middle East arms competitions in favor of trying to maintain an arms "balance" in the interest of political and military stability.<sup>52</sup>

A second undesirable effect of the Military Assistance Program, in Senator McCarthy's opinion, was that when it was applied to Latin America it resulted in

... strengthening military elements in countries that are, to a greater or lesser extent, trying to move away from a tradition of dominant influence of

50/ Saturday Review, July 9, 1966, p. 13.

51/ Ibid., p. 14.

52/ Ibid., p. 15.



the military on political affairs, and endeavoring to develop democratic societies dedicated to freedom and social progress.<sup>53</sup>

Finally, the Senator pointed out that Defense Department emphasis on a large arms sales program seemed to be in contradiction with the State Department's avowed interest in arms control. A possible means of eliminating all of these undesirable effects, Senator McCarthy suggested, would be for The United States to seek a mutual disengagement from arms competitions with the Soviet Union and to "use its influence to persuade other major suppliers to agree to some form of conventional arms moratorium."<sup>54</sup>

Senator McCarthy's article provided evidence that some congressional dissatisfaction existed in regard to the new form and directions of the Military Assistance Program and served to attract at least a little more attention to the problems inherent in arms sales.

By the end of 1966 (a year in which the arms sales program had grossed \$1,798 million -- or nearly three times the amount of grant assistance distributed), the sales program had grown large enough to attract attention to itself. Two magazine articles in quick succession publicized this relatively new manifestation of military assistance. The first article, which appeared in Business Week, began by noting that,

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<sup>53</sup>/ Saturday Review, July 9, 1966, p. 15.

<sup>54</sup>/ Ibid., p. 15.





Enticing a foreign government to forgo the manufacture of its own weapons and buy from a foreign supplier is no easy task. The buying government must be willing to sacrifice a certain amount of national prestige, to stand up to the outcries of its own manufacturers, laborers, and opposition politicians, and to accept the military dependence on the selling nation that a weapons purchase necessarily entails.

Even so, the United States has managed to become the dominant weapons seller of the free world. However reluctant nations may be to turn from their own producers, the cost of keeping up in the arms race has soared so high with the advent of atomic power, missilery, jet aircraft, and electronics that most nations simply find it too expensive to maintain a full-fledged defense industry.

"Buy American" is becoming an increasingly prevalent slogan in the world arms market.<sup>55</sup>

The article went on to list the sixteen leading United States manufacturers of arms for export,<sup>56</sup> noted that foreign countries had bought "about \$7 billion worth of purchases in the past five years," with an additional \$3.5 billion due from outstanding commitments, and commented that from those sales, the "U.S. industry will reap a profit of well over \$1 billion."<sup>57</sup>

The Pentagon was quoted as expecting "orders to remain at a high level for at least another decade, averaging about \$1.5 billion a year." Further, "developing nations which now get arms grants will be switching to a purchase basis."<sup>58</sup> Mr. Henry Kuss and his Inter-

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55/ "Aiming at the Arms Market Overseas," Business Week, December 3, 1966.

56/ This list is at Appendix F .

57/ "Aiming at the Arms Market Overseas."

58/ Ibid.



national Logistics Negotiations office were identified as playing,

... a key role in all arms deals, whether they are made on a government-to-government basis or involve a direct agreement between a foreign government and U.S. manufacturer.

They [Mr. Kuss and his aides] also help arrange financing where needed -- through private banking, the Export-Import Bank, or a special military assistance program credit account. About \$3 billion in credit has been provided for the \$10.5 billion in sales and commitments achieved thus far.<sup>59</sup>

The article reviewed some of the domestic and foreign criticism of the arms sales program and commented briefly on program control by the government. In regard to developing nations,

... the U.S. has a declared policy of discouraging them from building elaborate military machines at the expense of economic development. What weapons have been made available have been mostly grants of discarded U.S. equipment.

Some backfire

The current situation in Latin America illustrates how this policy can sometimes go awry. The U.S. last year agreed with Argentina that it needed to modernize its air force and with Brazil that it needed to replace old tanks.

Argentina was sold 25 Douglas A-4B fighter-bombers (it wanted 50) and Brazil 55 M-41 tanks. Now, as a result, a potential arms race is threatening in Latin America. /Italics supplied./ Other Latin nations want more modern equipment and are piqued because the U.S. is refusing to sell arms to them.<sup>60</sup>

59/ "Aiming at the Arms Market Overseas."

60/ Ibid.



In the context of the arms sales controversy which was to follow, this article represented the first public description of the sales program that was at all comprehensive. Whether or not the few criticisms which it included were overdrawn would be debated in the congressional hearings which would be held the following year (1967). The article was important in that it underscored the growth of the United States Government's arms sales business. There were a few factors which it noted but did not underscore -- the most important being the participation of the Export - Import Bank in the financing of arms sales. This utilization of the Bank's facilities could well have been in conflict with that institution's supposedly benign character. The significance of the Bank's alliance with the arms sales portion of the Military Assistance Program would not yet receive appropriate emphasis (two months later it would come to light in another publication -- a staff study written by a consultant for the Senate Foreign Relations Committee).

The other article which drew attention to the arms sales program appeared in Armed Forces Management in January 1967. Entitled "Can the U.S. Maintain the Momentum of Its Military Export Sales?" this story posted the value of arms sales and commitments for the period 1962 to 1966 at \$11,102.9 million, or 45 percent of the cost of maintaining United States forces overseas (excluding Southeast Asia). The difficulties of continuing the program at a high sales volume were noted but not overstressed due to the efforts of Mr. Henry Kuss and his





staff in the Department of Defense.

... Kuss is seeking to broaden and diversify the number of firms doing business in the military export field. Currently, twenty companies dominate the field. In a survey of seventeen of these firms, Kuss found some 40,000 subcontractors that could be selling their products overseas. ... He sees a particularly rich market for second and third tier subcontractors. Rather than just 20 companies dominating the market, Kuss "would be happy to settle for 100 companies" out of the 40,000 or so which could participate.<sup>61</sup>

In more sympathetic terms than the previous article, this arms sales story explained that arms sales to Latin America were only "a miniscule amount of the total."

The entire continent accounts for 1%, or \$162.7 million, of the sales total. ... The nascent supersonic arms race is not worth the trouble it causes, Defense officials feel. The U.S. in effect has embargoed the selling of jet aircraft to countries in this area by limiting deliveries to the post-1969 period. Hopefully, before that time, the countries involved will have worked out an agreement to halt an arms race that robs these countries of needed economic development resources. ...

More eloquent than words, however, is Kuss's disestablishment of the Latin American Directorate in his office. Although it shows on the organization chart ... it is not an active element and handles only existing sales arrangements.<sup>62</sup>

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<sup>61/</sup> "Can the U.S. Maintain the Momentum of Its Military Export Sales," Armed Forces Management, January, 1967. A list of the weapons systems which constituted the volume of arms sales is at Appendix G. Arms sales according to geographic region are also shown at Appendix G.

<sup>62/</sup> Ibid.





The article concluded with a brief reference to Mr. Kuss' success in obtaining credit to facilitate arms sales (but did not mention the Export - Import Bank), a list of his other achievements ( such as replacing grants with sales and arranging for cooperative production of some weapons systems with certain allies), and some optimistic notes on future sales of sophisticated aircraft, tanks, and missiles. Although the article was consistent in its approval of the conduct and development of the arms sales program (for example, its handling of the problem of arms sales to Latin America), it did open an avenue of criticism along which the arms sales program would be increasingly vulnerable -- the amalgamation of a widening section of American industry with the interests and purposes of the American military establishment. The term which was then coming into use to describe this coalition was "military - industrial complex" and it would come to be used with sinister implications.

On the occasion of his leaving office in January 1961. President Eisenhower had called attention to the coalition with the following warning:

This conjunction of an immense military establishment and a large arms industry is new in the American experience. The total influence -- economic, political, even spiritual -- is felt in every city, every statehouse, every office of the federal government. We recognize the imperative need for this development. Yet we must not fail to comprehend its grave implications. Our toil, resources, and livelihood are all involved; so is the very structure of our society.

In the councils of government we must guard against the acquisition of unwarranted influence, whether sought or unsought by the military industrial complex. The



potential for the disastrous rise of misplaced power exists and will persist.<sup>63</sup>

The complex whose existence troubled President Eisenhower was, of course, a real entity. The way in which the United States Government had perceived the threat from the Soviet Union (and later Communist China) necessitated the maintenance of large standing forces and the development of one sophisticated weapons system after another -- in effect, a scheme of perpetual mobilization. The magnitude and the nature of that threat were such as to demand defense expenditures of comparable magnitude. The management of these expenditures necessarily brought about an interplay between the military officials whose duty it was to devise the most effective weapons systems and the civilian industrialists whose duty was to return the greatest profits to their corporate shareholders. The motives of the officials and industrialists, it has been argued, became clouded over time by the migration of many of the military officials into industry upon their retirement from the service -- and by the counter-migration of many of the industrialists into appointed positions within the government. Whether or not real conflicts of interest have acted on the one hand to benefit the procurement of favorite (but expensive and possibly wasteful) weapons for the

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<sup>63/</sup> Dwight D. Eisenhower, "Farewell Speech," January 17, 1961, quoted in Samuel P. Huntington, "The Defense Establishment: Vested Interests and the Public Interest," The Military-Industrial Complex and U.S. Foreign Policy, edited by Omer L. Carey (Washington State University Press, 1969), p. 9.



Armed Services, or, on the other hand, have acted to produce highly profitable (but possibly unneeded) weapons by industry is a question that has been debated with varying intensity over the last decade.<sup>64</sup>

Mr. Kuss, through his zeal to secure increased growth for his arms sales program, was interjecting the program (and the rest of the Military Assistance Program) squarely into that debate.

Antagonists of the military-industrial complex would see the hoped-for expansion from 20 contractors manufacturing military exports to perhaps 100 "second and third tier subcontractors" as clear evidence of the complex at work. The demand which would create this expansion would be inspired by an agency of the same government which seemed constantly to demand more military production for American forces. Moreover, this particular government-inspired impetus in arms production would be colored by the fact of ultimate delivery to foreign hands - constituting perhaps an invitation for the reemergence of the "merchants of death."

The Congress had had some experience with those grim phantoms in the past. One of the relatively infrequent congressional investigations

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<sup>64/</sup> For a critical analysis of the causes and effects of the military-industrial complex, see: Sidney Lens, The Military-Industrial Complex (Philadelphia: Pilgram Press and the National Catholic Reporter, 1970). Mr. Lens characterizes the union of military government officials with industrialists as a "confluence of interests" -- which also includes: a civilian-militarist faction in the Congress; certain liaison organizations between industry and the military; the Department of Defense subsidized "think-tanks;" private research organizations; labor leadership; and much of the academic community, pp. 39-40.





in the time before the Legislative Reorganization Act of 1946 was the Nye Committee inquiry into United States munitions manufacturers. This inquiry was conducted at the high point of American post World War I idealism and isolationism. A letter written in 1923 by President Harding to the Secretaries of War and Navy had established United States policy vis-a-vis arms sales (in the absence of any legislative control of arms exports).

I hope it will be the policy of the War (and Navy) Department not only to make no sales of war equipment to any foreign power, but that you will go further and make certain that public sales to our own citizens will be attended by proper guarantees that such supplies are not to be transferred to any foreign power. I would gladly waive aside any financial advantage that might attend such sales to make sure that none of our surplus equipment is employed in encouraging warfare any place in the world.<sup>65</sup>

Following this presidential statement no legislative action seemed necessary until 1928 when the private sale and exportation of newly manufactured military equipment (not government owned surplus) to Asia and Latin America prompted a series of proposals by Congress, the sense of which was to "prohibit the exportation of arms, munitions, or implements of war to any nation which is engaged in war with another."<sup>66</sup> Still, no legislation was forthcoming until

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<sup>65/</sup> The New York Times, April 25, 1923.

<sup>66/</sup> House Joint Resolution No. 183 (70th Congress), text in the U. S. , Congressional Record, 70th Congress, 1st session, Vol. 69, pt. 2, (January 25, 1928), p. 3269. For an excellent discussion of the various resolutions offered during this period in the interest of controlling arms sales,



public opinion was sufficiently stirred by the long and costly Chaco War between Bolivia and Paraguay (1932 to 1935). Finally, on May 28, 1934, the President signed a resolution passed in both houses of the Congress which prohibited the sales of arms and munitions of war to the belligerents. This was "the first instance in which the United States attempted to throw its weight on the side of 'starving' a foreign war by restricting the supplies of war materials to the two belligerents."<sup>67</sup>

Concurrently with the development of the Chaco embargo, a move was underway in the Senate to find ways in which to inhibit arms and munitions manufacturers from exerting pressure towards United States involvement in war. One of the leaders of this move was Senator Gerald P. Nye (R - N. D. ), whose particular energies were directed at depriving the producers of arms of any profit they might receive incident to supplying the weapons for war. Senator Nye was attempting in early 1934 to adapt income tax legislation to his purpose. As a means of diverting the Senator from altering the tax structure President Roosevelt supported his appointment to head a special Senate Committee which would investigate "the activities of individuals, firms, associations, and of corporations and all other agencies in the United States engaged in the manufacture, sale, distribution, import or export of arms,

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see: Elton Atwater, American Regulation of Arms Exports (Washington: Carnegie Endowment for International Peace, 1941).

<sup>67/</sup> Atwater, American Regulation of Arms Exports, p. 192.



munitions, or other implements of war."<sup>68</sup>

The Nye Committee began its public hearings on September 4, 1934, and its hearings have been described as forming

... a sensational and sordid story of intrigue, of gratuities in the form of large "commissions" to obtain foreign business, of incredible claims put forward by lobbyists and other agents of their influence with those in high places in certain governments, and of equally incredible gullibility on the part of their employers. ... The testimony established the fact that armament firms in different countries were linked together in various ways, including agreements for the exchange of patents and the allocation of business; that a few American army and naval officers had acted virtually as commercial agents for private munitions concerns; that the War and Navy Departments, as a measure of "preparedness," had sought to encourage the munitions business in the United States, and to this end had aided private firms in their sales of war materials to foreign governments.<sup>69</sup>

Providing an indictment of the "military-industrial complex" of its time, the report of the Nye Committee showed the practices of the War and Navy Departments vis-a-vis the munitions industry and the export of arms to be somehow immoral -- if not illegal. The international linkage of arms manufacturers, the role of army and naval officers involved in arms sales "as commercial agents," and the

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<sup>68/</sup> The New York Times, April 13, 1934.

<sup>69/</sup> Council on Foreign Relations, The United States in World Affairs (New York: Harper and Brothers, 1935), p. 264. For the text of the investigation see: U.S. Congress, Senate, Munitions Industry, Report No. 944, Parts 1 - 17, by the Special Committee on Investigation of the Munitions Industry (Washington: U.S. Government Printing Office, 1935, 1936).





encouragement of private firms to enter the arms export business all seemed to be dark and illicit activities -- and, given the idealistic spirit (as exemplified by the Harding letter) of the period, they may have been so. Certainly, the impact of the Nye investigation was sufficient to ensure the passage of a joint resolution known as the First Neutrality Act (August 31, 1935). <sup>70</sup>

Now, in January 1967, the revelations of the activities of Mr. Henry Kuss might stir either some latent isolationist idealism or some latent aversion to the "merchants of death," or both. Congressional response to the discoveries of the Nye Committee was a campaign to control the export of arms. This campaign was successful until its purpose was overtaken by World War II. Since then, the Congress had moved away somewhat from exerting its influence through controls (such as the First Neutrality Act) and towards meeting its responsibilities for the conduct of the government through legislative oversight. One writer has made the following distinction between "control" and "oversight."

"Control" in the narrow sense refers to legislative decisions or activities prior to the relevant administrative

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<sup>70/</sup> This resolution was, of course, helped to success by the popular spirit of revisionism which had sought to discredit all but the profit motive for United States participation in World War I. In this regard, see: "Arms and the Men," Fortune, March 1934, and Helmuth C. Engelbrecht and F. C. Hanighen, Merchants of Death: A Study of the International Armaments Industry (New York: Dodd, Mead and Company, 1934).





action. Thus it includes legislative determinations about departmental policies and activities, examination of proposed executive actions in view of a possible legislative veto, and the issuance of authoritative instructions to guide executive officers in the performance of assigned functions. Such controls are expressed in provisions of statutes or appropriation acts, in committee reports, and in various informal ways. "Oversight," strictly speaking, refers to review after the fact. It includes inquiries about policies that are or have been in effect, investigations of past administrative actions, and the calling of executive officers to account for their financial transactions.<sup>71</sup>

Because the arms sales program was apparently being conducted within the bounds of existing legislation, whatever the congressional reaction to the evidence of the program's growth, at least the initial manifestation of disquiet would be likely to occur as a case for greater oversight. There was not yet, however, the same kind of charged atmosphere which had triggered the establishment of the Nye Committee. Enough information about the conduct and effects of the arms sales portion of the Military Assistance Program had come to light to cause some dissatisfaction within the Congress. The Senate Committee on Foreign Relations, in its report on the draft Foreign Assistance Act of 1966, had voiced the hope that, "the U.S. balance of payments is not in such a perilous condition that it has to be salvaged by taking blood money from poorer countries."<sup>72</sup> Articles had appeared -- such as the one by

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<sup>71/</sup> Harris, Congressional Control of Administration, p. 9.

<sup>72/</sup> U.S. Congress, Senate, Foreign Assistance Act of 1966, Report of the Committee on Foreign Relations, No. 1358, 89th Congress, 2nd session (Washington: U.S. Government Office, 1966), p. 3.



Senator McCarthy and the one in Business Week -- which suggested strongly that the arms sales program was fueling arms races in Latin America and elsewhere. Still, there was not enough evidence of impropriety to arouse sufficient congressional pressure to exert real oversight -- or if there was enough evidence, thus far it had simply not been put in appropriate context.

## SUMMARY

The Military Assistance Program had its birth in the Truman Doctrine and grew to maturity through the Cold War. The system of alliances which the United States established in the name of collective security required vast amounts of weapons in order to become and remain viable, Allied countries at first depended upon the delivery of free, or grant military assistance. Later, when their economies had prospered sufficiently, they were encouraged to purchase the arms they needed, either for cash or credit. In order to facilitate increased arms sales for balance-of-payments and other reasons the Department of Defense established a sales staff. Within a few years sales became the dominant feature of the Military Assistance Program. Given the highly political nature of arms sales, more attention came to be focused on the decision making machinery. Legislative control of decision making was vague or non-existent and administrative regulations governing decision making did not really come into being until the Senior Interdepartmental Group was established in 1966. Certain organizational flaws in the SIG made



possible the making of decisions affecting some of the 58 countries receiving military assistance at levels below the highest cabinet officials. These flaws also made possible the failure of proper coordination between the Military Assistance Program and the economic assistance program.

The function of the Congress had changed through the years from one of initiation of foreign policy to one of legitimization of policy initiated by the executive branch. Meanwhile, the role of committees and committee chairmen had been strengthened by the Legislative Reorganization Act of 1946. Committees became more prone to investigation and even simple hearings began to seem like investigations. Thus, the Congress moved more in the direction of legislative oversight of executive conduct and away from outright control of future executive plans and programs.

By 1966, the arms sales program had grown big enough to attract wide attention. There was evidence that some dissatisfaction existed in the Congress with the nature and scope of that program, however, until January 1967, no action had been taken by the Congress to exercise either control or oversight of the Military Assistance Program. Some precedent existed in the experience of the Nye Committee which had investigated the munitions industry from 1934 to 1936. The First Neutrality Act had been one outcome of that investigation.

The question then, at the beginning of 1967, was in what manner should the Congress proceed -- if indeed it had cause to proceed -- in order to assuage its dissatisfaction with the Military Assistance Program.





## CHAPTER II

### THE ADMINISTRATION'S PROGRAM IS CHALLENGED

Despite all the evidence of growing dissatisfaction with both the conduct and effects of the Military Assistance Program, no one had yet phrased either coherent criticism or serious challenge. If congressional interests in exerting influence on the form and direction of military aid were ever to be written into legislation someone would have to provide a suitable guidon around which others could rally. Someone would have to analyze the various components of the program, identify its faults, and point out the way for constructive action. Once given such an analysis, the multiple but uncoordinated forces within the Congress would be capable of devising restraining or corrective legislation -- hopefully, it would also be intelligent and appropriate legislation.

Although it might have been expected that the effective challenge, when it came, would be authored by a member of the Congress, it was not. The Military Assistance Program had existed for years, and, each year, had been reviewed and approved by the Senate and the House of Representatives alike; yet, no member of either body took initiative in attacking the program in any really definitive way. The



initial assault, and most of the campaign that would follow was the work of a young intellectual whose experience on Capitol Hill amounted to no more than a few months on the staff of the Senate Committee on Foreign Relations.

Dr. William Banks Bader had arrived at his position as consultant on the committee staff by way of Princeton, where he had received his Ph. D.; the United States Navy, in which he had been an air intelligence officer; and the Department of State, where he had served in the Bureau of European Affairs. When he took up his work on the Foreign Relations Committee, in June 1966, Dr. Bader evidenced interest in three areas within the general field of disarmament -- a field on which the committee planned to focus some attention in 1967. He informed Mr. Carl Marcy, Chief of Staff of the Committee, that, in his view, the issues of anti-ballistic missiles, chemical-bacteriological warfare, and arms sales would be of primary importance. Given approval to proceed along all three lines, Dr. Bader began research which would be used in the preparation of future committee hearings.<sup>1</sup>

On his own initiative, and without the assistance of any other member of the committee staff, the thirty-four year old consultant

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<sup>1</sup>/ William B. Bader letter, dated January 27, 1972 (at Appendix H), p. 1. Dr. Bader's work on anti-ballistic missiles and chemical-bacteriological warfare proved nearly as fruitful as that on arms sales. For insight into his contributions to Senate action in those two areas see The New York Times, March 22, 1969.



investigated the intricate and often arcane arrangements through which arms sales were negotiated by the United States Government. It had come to Dr. Bader's attention, during the course of a hearing on nominations, that the Arms Control and Disarmament Agency "had no voice in the decisions on arms sales." Perhaps considering this a curious aberration in whatever system of arms sales decision making that existed, Dr. Bader elected to promote his research on the subject into a thorough study.<sup>2</sup>

Published on January 25, 1967, as a "staff study" entitled Arms Sales and Foreign Policy, the consultant's work seemed more a brief research paper than a potent indictment of the administration's handling of arms sales. Succinct and academic in tone, the thirteen page study was introduced by the chairman of the Foreign Relations Committee, Senator J. W. Fulbright (D - Ark.) with the following preface:

This study is the result of the belief of the Committee on Foreign Relations that the problems and responsibilities the United States has acquired with its ever increasing arms exports are of prime concern to the Congress. The complex nature of these arms sales, as well as their implications for national and foreign policy encourages the belief that this study can serve a useful purpose.

It should be emphasized that this study does not necessarily reflect the views of the committee or any

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2/ William B. Bader letter, dated November 2nd, 1971 (at Appendix H), p. 1.



of its members.

J. W. Fulbright, Chairman  
*/Italics supplied.*<sup>73</sup>

Despite Senator Fulbright's disclaimer, and despite the fact that "the study was given normal distribution with no special effort to bring it to the attention of the rest of the Congress or the press," Dr. Bader's paper did come to serve a useful purpose -- it became the schema with which Congress would trace the convolutions of the arms sales portion of the Military Assistance Program.<sup>4</sup> More importantly, the study would provide the Congress with an index of the probable dangers and excesses inherent in the arms sales business and would serve to place in perspective most of the collective uneasiness about that business.

As illustrations of avowed United States policy vis-a-vis arms sales, Dr. Bader chose quotations from the published words of President Johnson and Secretary of Defense McNamara. In January 1966, the President had decried the expenditure of resources devoted to arms races. "These resources," he pointed out, "might be better spent on feeding the hungry, healing the sick and teaching the uneducated. The cost of acquiring and maintaining one squadron of super-

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3/ U.S. Congress, Senate, Arms Sales and Foreign Policy, Staff Study Prepared for the use of the Committee on Foreign Relations, 90th Congress, 1st session, (Washington: U.S. Government Printing Office, 1967), p. iii.

4/ Bader letter, dated November 2nd, 1971, p. 1.





sonic aircraft diverts resources that would build and maintain a university."<sup>5</sup> In September 1965, the Secretary of Defense had explained his department's attitude towards "those underdeveloped nations which have not yet met the minimum needs of their people for social and economic progress but who nonetheless are inclined to divert an unreasonable share of their scarce human and material resources to defense."<sup>6</sup> In the case of such nations, Secretary McNamara had said,

... our first objective is to use the influence that we gain through the military assistance programs and occasionally through the military export sales programs to work with them to reduce the share of their resources devoted to defense and to increase the portion of their human and material capital that is allocated to economic and social programs.<sup>7</sup>

Now, Dr. Bader contrasted the administration's policy, as stated, with the facts of the enormous growth in sales of arms by the United States and the quickening pursuit of "illusory prestige" by the developing nations. As examples of that pursuit, he cited recent sales of F-4 fighters (America's "most sophisticated operational supersonic aircraft") to Iran; sales of F-5's ("among the United States most modern

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<sup>5/</sup> President Lyndon B. Johnson "Message to Eighteen Nation Disarmament Conference," January 1966, quoted in Arms Sales and Foreign Policy, p. 1.

<sup>6/</sup> Robert S. McNamara, news conference, September 16, 1965, quoted in Arms Sales and Foreign Policy, p. 2

<sup>7/</sup> Ibid., p. 2.



fighter-interceptors") to Morocco; sales of F-104's (another fighter aircraft) to Jordan; and sales of A-4B's ("tactical attack aircraft") to Argentina.<sup>8</sup> Noting the shift in composition of American military assistance from grants to sales, Dr. Bader suggested that there was a direct relationship between that change in emphasis and the "growing problem of arms competition in the underdeveloped world and the diversion of scarce resources."<sup>9</sup> Moreover,

...the developing nature of the arms competition seems to defy the best intentions of Mr. McNamara's reasonable explanation of how the United States conducts its arms sales. The question that must be addressed is whether the governmental machinery designed for the management of our military sales program is adequate to the task of bringing the U.S. actions in line with Secretary McNamara's intentions.

There is evidence to suggest that it is not..  
/Italics supplied./<sup>10</sup>

This, then, was Dr. Bader's challenge to the administration. It was not his thesis that the government's policy, as it had been described, was improper. Rather, it was the "governmental machinery" which was tasked with the implementation of that policy that he chose to call into question. Was the machinery "adequate" or not? In making the answer to this question the target of his exposition of arms

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<sup>8/</sup> U.S. Congress, Senate, Arms Sales and Foreign Policy, p. 1.

<sup>9/</sup> Ibid., p. 1

<sup>10/</sup> Ibid., pp. 2-3.



sales, the young consultant had discovered the most vulnerable salient of the Military Assistance Program. It would become the job of the Congress to test those officials responsible for the operation of that machinery, to call each one to account for his stewardship, and to judge whether they had fulfilled their functions in such a way as to bring "U.S. actions in line with Secretary McNamara's intentions." Through the exercise of its investigative authority -- the process of hearings -- the Congress could ascertain the sincerity of the administration, the competence of its officials, and the degree to which arms sales had become an instrument of foreign policy. In so doing, the Senate and the House of Representatives might find within themselves the coherence necessary for the development of legislation that would satisfy their multifold discontents.

Making the point that "the Defense Department's approach to the arms sales field has been dynamic and aggressive," Dr. Bader introduced the person of Henry J. Kuss and explained the function of the International Logistic Negotiations office of which Mr. Kuss was the chief.<sup>11</sup> That official was described as having made a number of appeals to the American armament industry to go 'international,' and as having chided those who were reluctant to do so in the following terms:

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11/ U.S. Congress, Senate, Arms Sales and Foreign Policy, p. 3.





This tendency of American companies to refrain from entering into the international arms market is a serious one and affects our entire international posture in a military, economic, and political way.

From the military point of view we stand to lose all the major international relationships paid for with grant aid money unless we can establish professional military relationships through the sales media.<sup>12</sup>

Mr. Kuss was also quoted as having said,

...the highly competitive approach that has been taken here in the United States, particularly as a result of Secretary McNamara's cost reduction programs, places U.S. industries in fit condition for competition throughout the world.. Mr. Kuss estimated that over the next 10 years U.S. allies/ may purchase a minimum of \$10 to \$15 billion of their military equipment requirements from the United States by sheer virtue of the fact that most of these items will be a minimum of 30% to 40% cheaper and will be highly competitive from a technical point of view ...<sup>13</sup>

Having looked into the matter, Dr. Bader noted that there were,

... a number of ways by which arms can be sold abroad: private firms selling to a foreign government, private firms selling through an agency of the U.S. Government, and government to government sales. There are other possibilities as well, such as a U.S. manufacturer licensing a foreign firm to produce his products.<sup>14</sup>

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<sup>12/</sup> Henry J. Kuss, speech before the American Ordnance Association, October 20, 1966, quoted in Arms Sales and Foreign Policy, p. 4.

<sup>13/</sup> Henry J. Kuss remarks before the National Security Industrial Association, October 8, 1965, quoted in Arms Sales and Foreign Policy, p. 4.

<sup>14/</sup> U.S. Congress, Senate, Arms Sales and Foreign Policy, p. 3.



Given the emphasis which Mr. Kuss had placed on competition and the multiple ways in which arms could be sold, Dr. Bader observed that it was "difficult to know the extent of just how much equipment is being purchased."<sup>15</sup> As examples of arms sales which underwent various permutations in buyers and sellers, he called to mind

...the F-86's Venezuela recently bought from West Germany [which] were manufactured in Italy under a U.S. licensing arrangement [and other] F-86's [which] West Germany 'sold' to Iran but which mysteriously seem to actually belong to Pakistan (despite U.S. efforts to halt the flow of arms into Pakistan) [and which] were manufactured in Canada.<sup>16</sup>

Turning to the recipients of American arms, Dr. Bader distinguished between those sales to developed countries and those to underdeveloped countries. "During the period fiscal years 1962 - 1966," he had found, "\$9.85 billion of \$11.1 billion in orders and commitments, went to developed countries in Europe and Asia. This is 88 percent of the total ..."<sup>17</sup> However, he wished to stress that,

The fact that sales to underdeveloped countries amount to only 12 percent of the total military sales

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<sup>15/</sup> U.S. Congress, Senate, Arms Sales and Foreign Policy, p. 3.

<sup>16/</sup> Ibid., p. 3. It is doubtful that, when he included this information about the F-86's "mysteriously" belonging to Pakistan, Dr. Bader could foresee the attention this would attract in the Congress. It proved to be the kind of transaction which most fired congressional criticisms of the arms sales program.

<sup>17/</sup> Ibid., pp. 4-5.



handled by the Department of Defense is important for a number of reasons. These figures on sales to underdeveloped countries lead to a conclusion that the U.S. motives in arranging such sales simply cannot be rooted in balance of payments considerations. If the United States were to lose its entire arms market to the underdeveloped world the impact on our overall balance-of-payments accounts would be small. Therefore, our justification for such sales must be based on the other considerations, such as influencing the development of the local military elites or helping a country resist the threat of external aggressions. Preventing the influx of military equipment of other nations, a sort of preemptive selling, has also been a strong U.S. motive in the underdeveloped areas of the world.

/Italics supplied./<sup>18</sup>

His analysis of the government's motives for selling arms to certain underdeveloped countries was, of course, quite correct; the administration had already enunciated its intentions of influencing development and supporting resistance to aggression (see previously quoted statement of Secretary McNamara). Dr. Bader, however, in coining the expression "preemptive selling," and in joining that motive with the others, had given the critics of the Military Assistance Program a perjorative catchword and had flagged a practice which would seem to many to be less than respectable.

Dr. Bader, in the next section of his study, reported on another practice of even more precarious respectability -- the financing of "country - X" loans. Noting that "sales to the underdeveloped regions of the world have been mainly credit financed," and that it was "the

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18/ U.S. Congress, Senate, Arms Sales and Foreign Policy, p. 5.





International Logistics Negotiations Office, not AID [Agency for International Development] or the Export-Import Bank, [which] has acquired the responsibility of negotiating the terms of the credit extended for military purposes," the consultant described the sources of that credit.<sup>19</sup> These, he said, were "the Eximbank [one of the several abbreviations used for "Export - Import Bank of Washington"], private banking facilities, and a military assistance account available for the use of the Defense Department under the authority of section 508 of the Foreign Assistance Act."<sup>20</sup> According to Dr. Bader,

The Eximbank role is one of providing a service function for the Department of Defense and bringing to military sales on credit the advantages of the Bank's experience in the international credit field. ... Eximbank makes direct loans for military equipment only to industrial nations such as Great Britain, Australia, etc. In addition, Eximbank makes so-called "country - X loans." Such loans are the result of Eximbank establishing what amounts to an accounts receivable fund for the use of the Department of Defense in arranging loans to underdeveloped countries. The Eximbank does not know or want to know where this money goes. The Department of Defense guarantees these funds through the military assistance account ... . The bank therefore avoids the problem of directly financing military sales to underdeveloped countries. [Italics supplied.]<sup>21</sup>

As to the military assistance credit account, Dr. Bader felt that it was,

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19/ U.S. Congress, Senate, Arms Sales and Foreign Policy, p. 5.

20/ Ibid., p. 5.

21/ Ibid., p. 6.





... the most useful instrument at the disposal of the International Logistics Negotiations (ILN) office for use in providing credit for arms sales to areas where commercial and direct Eximport credits are unavailable.

The idea that the Department of Defense should have funds available to arrange credit terms for arms sales was initiated with the Mutual Security Act of 1957 when a fund of \$15 million was authorized for this purpose. This account officially became a "revolving account" to finance additional sales when the Foreign Assistance Act of 1961 (sec. 508) authorized that repayments from such sales to 'be available until expended solely for the purpose of furnishing military assistance on cash or credit terms.' Consequently, this fund through yearly appropriations ranging from \$21 to \$83 million, has grown to over \$300 million.

An important amendment to the Foreign Assistance Act came in 1964 when the Defense Department asked for, and received from the Congress, the authority to allow the Department of Defense to guarantee 100 percent of the credit extended by U. S. banks for arms sales while only obligating 25 percent of the amount from the military assistance credit account as a reserve to back up the guarantees in the event of default. In other words, the \$300 million in the ever-increasing 'revolving account' now allows the Department of Defense to put the full guarantee of the U. S. Government behind over a billion dollars in military credits. /Italics supplied./<sup>22</sup>

Although, as Dr. Bader pointed out, this revolving account had been authorized by the Congress, and its uses were, therefore, legitimate, the significance of the account being used in combination with country - X loans financed by the Export-Import Bank had probably never been fully grasped by the Congress. Was the legislature aware

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<sup>22/</sup> U. S. Congress, Senate, Arms Sales and Foreign Policy, pp. 6-7.



that it had empowered one agency of the executive branch to undertake, at its own discretion, potentially over a billion dollars worth of credit arms sales to underdeveloped countries -- aided and abetted by another executive agency which neither knew nor cared to know to which countries the arms were going? The hearings that would take place throughout the year 1967, in several committees and subcommittees of the Congress would show that, until Dr. Bader brought their attention to it, this important facet of the Military Assistance Program had gone almost completely unnoticed by the members of the Congress. The questions as to whether or not this interesting mechanism should remain in the hands of the administration and whether or not the administration had been altogether candid in the manipulation of its authority would be among the most controversial raised that year.

Having, thus far, acquainted his readers with the dimensions and workings of the government's arms sales program, Dr. Bader returned to the central issue of his study -- was the governmental machinery adequate to the task of reconciling the enormous capacity for making arms sales with the well-intentioned policy advocated by the leaders of the government?

The magnitude and complexity of the arms sales program would seem to demand a well-developed system of interagency supervision and complete statistics on what is being sold to whom under what terms. In large measure because of the phenomenal growth of the arms sale programs, neither the administrative resources of the executive nor the legislative attention of the Congress have kept pace with the problems these military exports



have brought in their wake.<sup>23</sup>

Dr. Bader outlined the existing machinery as he had found it:

Under the provisions of the post-world war II legislation concerned with the regulation of arms sales (the Export Control Act of 1949, as amended, and the Mutual Security Act of 1954, as amended) the Department of State and the Treasury Department share the responsibility for establishing policy and enforcing regulations with regard to the sale of arms. As for the obvious connection between arms sales and arms control, the Director of the Arms Control and Disarmament Agency was given the responsibility by Public Law 87-297 in 1961 to:

... serve as the principal adviser to the Secretary of State and the President on arms control and disarmament matters. In carrying out his duties under this act the Director shall, under the direction of the Secretary of State, have primary responsibility within the Government for arms control and disarmament matters. In order to insure that arms exports procedures are consistent with the security of the United States and U.S. foreign policy, the Secretary of State under the statutory authority of the 1954 Mutual Security Act, established an Office of Munitions Control to control the export licenses of items on the U.S. munitions list. That is, items the United States considers "arms, ammunition, and implements of war."<sup>24</sup>

"In theory," Dr. Bader admitted, "the interdepartmental machinery seems adequate to the task of coordinating a national policy of arms sales which would take into full account the military, political, economic, and arms control implications of our expanding

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<sup>23/</sup> U.S. Congress, Senate, Arms Sales and Foreign Policy, p. 7.

<sup>24/</sup> Ibid., p. 7.





sales program."<sup>25</sup> However, he had discovered that,

In practice, the mechanism appears unequal to the task. First of all, the Office of Munitions Control which should serve as a general clearinghouse for all arms sales, does not have the responsibility for handling, or even cataloging, government-to-government military sales -- thus it has no influence over the greatest exporter of all, the Department of Defense. Moreover, since 1962 the Office of Munitions Control has not issued a report on just what commercial military items were exported. . . . there is no way, short of a special request, for Congress or the Secretary of State to know just what is being exported to where by commercial firms.

Since the Defense Department submits no composite reports to the Congress on what it sells abroad or even how the military assistance credit account is used, legislative oversight in the arms sales field is haphazard and generally ineffectual. /Italics supplied./<sup>26</sup>

Having exposed these institutional administrative deficiencies, Dr. Bader then phrased his essential criticism of the arms sales program.

How and by whom the major decisions on arms sales are made is something of a mystery. There is reported to be a State-Defense Coordinating Committee for arms sales policy consisting of members of Treasury, the State Department, the Defense Department, and presumably the Arms Control Agency and AID. Whether the full Committee actually meets is uncertain. One thing is clear, however, . . . the Arms Control and Disarmament Agency, despite its charter, does not sit at the high table when decisions on the sale of arms are made.

Another open question is whether the Agency for International Development or the Bureau of the Budget

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<sup>25/</sup> U.S. Congress, Senate, Arms Sales and Foreign Policy, p. 8.

<sup>26/</sup> Ibid., p. 8.



actually participate in the process of making a decision to sell, for example, A-4B's to Argentina or have only the option of attempting to overturn a promise of arms sales already made to another country, /Italics supplied./<sup>27</sup>

Given the swift growth of the arms sales program, its capacity for still further growth, and the apparent paucity of real coordination and control of the program, Dr. Bader suggested three "major and intertwined policy concerns" which he felt must shortly be addressed:

First, what is the effect of U.S. current military export policy on our European alliance relationships; second, what is the effect of these arms exports on the external indebtedness and general financial circumstances of the underdeveloped countries; and third, what are the prospects for arms control in the developing regions of the world given the present pace and pattern of the international traffic in arms?

About the first concern, it was Dr. Bader's opinion that,

... while the financial success of the U.S. military sales is beyond dispute, there is ample reason for concern as to the side effects of the vigorous sales campaigns. American sales efforts have become a source of great irritation in Europe, particularly in West Germany and Great Britain, and may also be a major cause of the increasing interest of Europeans in competing for arms markets in developing regions of the world. /Italics supplied./<sup>28</sup>

Dr. Bader substantiated this "European irritation" with quotations drawn from the British press and from a speech before Parliament

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<sup>27/</sup> U.S. Congress, Senate, Arms Sales and Foreign Policy, p. 8.

<sup>28/</sup> Ibid., p. 8.



by Mr. Denis Healey, the British Government's counterpart to Secretary of Defense McNamara. Mr. Healey had promised that his government would "take what practical steps we can to ensure that his country does not fail to secure its rightful share of this valuable commercial arms sales market."<sup>29</sup>

In Dr. Bader's view, however, despite the intention of any European government, realistic competition with the United States within the European market was impossible because,

A combination of technological skills, a high rate of government investment in defense industries, flexible credit arrangements, and the vigorous salesmanship of ILN Mr. Kuss' office have virtually put the rest of the Western World out of the sophisticated arms export market. The defense common market is little more than an arena for arms competition between resentful pygmies and an affable giant.<sup>30</sup>

The danger in such a "pygmies - giant" relationship, Dr. Bader deduced, would necessarily be increased European arms sales to the "third world" because "Europeans must feel that in Latin America, the Middle East, and, in time, Africa, they can compete on equal terms."<sup>31</sup>

<sup>29/</sup> Dennis Healey, Parliamentary Debates, Commons, (January 25, 1966), quoted in Arms Sales and Foreign Policy, p. 9.

<sup>30/</sup> Congress, Senate, Arms Sales and Foreign Policy, p. 9.

<sup>31/</sup> Ibid., p. 9.





In regard to the second policy concern, the consultant noted that, according to the Organization for Economic Cooperation and Development, the external debts of the most underdeveloped nations had "increased at a considerably higher percentage rate than exports of goods and services, gross national product, or savings."<sup>32</sup> Further, a check of Inter-American Committee on the Alliance for Progress estimates indicated to him that "two thirds of Latin America's foreign exchange deficit is caused by external debt service payments."<sup>33</sup> It would seem legitimate, therefore, to devote attention to the effect of U.S. arms exports on the external debts of at least the underdeveloped recipients. Dr. Bader's research prompted him to make the following cogent observation:

Credits for military purchases are usually hard loans with high interest rates and a short repayment period. Development loans are normally just the opposite. Unless all credits to a particular country -- both development and military sales -- are subject to a comprehensive review how can we know enough about the total economic circumstances of a country to make the right decisions? At the moment there seems to be very little coordination between the right hand of military export credit policy and the left hand of development loans. /Italics supplied./<sup>34</sup>

During the hearings that would follow the publication of this study

<sup>32/</sup> U.S. Congress, Senate, Arms Sales and Foreign Policy, p. 10.

<sup>33/</sup> Ibid., p. 10.

<sup>34/</sup> Ibid., p. 11.





several of the highest ranking administration officials would dispute the apparent lack of coordination between the hands of the executive branch that Dr. Bader detected. Were credit arms sales in fact synchronized with economic assistance loans -- or, for that matter, even with military assistance grants? Did the Director of Military Assistance carefully match the sales and grants of his Military Assistance Program with the development assistance provided by the Administrator of the Agency for International Development? Both military and economic assistance were provided under the same piece of legislation, the Foreign Assistance Act -- shouldn't it be expected that the two types of assistance would be efficiently integrated? The administration would have ample opportunity during the hearings to make its case and to prove that the desired coordination really existed.

The third of Dr. Bader's "major and intertwined policy concerns," the prospects for arms control, raised for him the "question of the compatibility of our present arms sales policies with the United States' expressed desire to control arms races in the developing regions of the world."<sup>35</sup>

"The Congress," according to Dr. Bader, "has fully supported the efforts of the executive agencies to administer military assistance and sales with the goal of arms control in mind at all times." *Italics supplied.*<sup>36</sup> In order to demonstrate that such was the intent of the

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<sup>35/</sup> U. S. Congress, Senate, Arms Sales and Foreign Policy, p. 11.

<sup>36/</sup> Ibid., p. 11.



Congress, he quoted from the Foreign Assistance Act of 1966.

Programs for the sale or exchange of defense articles shall be administered so as to encourage regional arms control and disarmament agreements and so as to discourage arms races.<sup>37</sup>

Was the Congress directing the executive branch to proceed along two mutually exclusive lines -- somehow to balance arms sales with arms control? Dr. Bader took the position that it was not -- not, at least, if the administration was willing to include negative alternatives in its arms sales program. In the interest of arms control the United States Government could say "no" to requests for arms as well as it could say "yes." Aside from security and balance-of-payments reasons, what other argument seemed routinely to bias the administration toward "yes" rather than "no?" Dr. Bader thought he had the answer.

It is a commonplace to hear discussions on whether the United States should or should not sell military equipment to this or that country end with "... but if we don't sell it to them the Russians (or the British, or the French, etc.) will." Fully aware of this flaw in the U.S. armor, many countries have exploited it in order to acquire equipment we don't really want to sell them.

Consequently, the United States often ends up selling, say, the Iranians supersonic F-4 aircraft for defense primarily because the Shah says he will go to the Russians if we don't give him the equipment he wants. When this sort of compelling argument is added to the glint of a balance-of-payments success, a momentum is created which tends to divorce the process from its appropriate overall

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37/ Foreign Assistance Act of 1966, Public Law 89 - 583, 80 Stat. 795, quoted in Arms Sales and Foreign Policy, p. 11.



foreign policy context. /Italics supplied. 38

If the United States wanted to demonstrate sincerity about arms control -- and if the administration wished to adhere to the intent of the Congress -- then, Dr. Bader suggested,

It seems imperative that at some point the United States take the risk that great powers must take and simply say, "No -- go to the Russians or the British if you must." . . . Surely such a policy of denial will have its dangers: but an effort must be made to slow the seemingly relentless pace of arms competition throughout the underdeveloped world. 39

The study had, thus far, examined more comprehensively than any other effort the arms sales program administered by the United States Government. Dr. Bader's research had focused light on arms sales of questionable legitimacy (such as the F-86's allegedly provided to Pakistan), the problem of "preemptive selling," the participation of the Export-Import Bank in the financing of arms sales, country - X loans to underdeveloped nations, the military assistance credit account (and its use in combination with country - X loans), the "mysterious" process of arms sales decision making, and, finally, three "major policy concerns" -- the effects of arms sales on European allies, the effects of arms sales on the external debts of underdeveloped countries, and the effects of arms sales on progress

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38/ U. S. Congress, Senate, Arms Sales and Foreign Policy, p. 11.

39/ Ibid., pp. 11-12.





toward arms control. In one brief piece of work Dr. Bader had brought together all the essential ingredients of a very complex issue and had provided the Congress with a blueprint for possible reconstruction of a controversial program.

It was the general conclusion of Dr. Bader's study that,

...it is incumbent on the United States to re-appraise the adequacy of the present machinery of policy control and legislative oversight governing the sale of arms. On the basis of the available evidence, there is sufficient justification for tentatively concluding that the adjustments in policy and administrative procedure necessitated by the change in the composition of military aid /from grants to sales/ have been marred by a lack of information, by weaknesses in interdepartmental coordination at the highest levels, and, finally, by a lack of serious attention to the problem of reconciling an active arms control policy with an arms sales program /Italics supplied./<sup>40</sup>

No matter how "tentative" his conclusions, Dr. Bader had accused the administration of failure to provide information, of coordination weaknesses at "the highest levels," and of a "lack of serious attention" given an important responsibility. If he had accused the administration of negligence, incompetence, or duplicity it would hardly have been a stronger arraignment. The reaction of the executive branch would await the hearings for which Dr. Bader's study had been undertaken.

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<sup>40/</sup> U.S. Congress, Senate, Arms Sales and Foreign Policy, p. 12.



Based upon the evidence which he had found and upon the goals which both the administration and the Congress had officially embraced, Dr. Bader completed his work with the following recommendations:

- (1) In order to provide an adequate informational base upon which to judge the scope of U.S. arms exports, the Munitions Control Office should be directed to compile on a quarterly basis a complete list of all arms exports both commercial and governmental. This report -- with a classified annex if required -- should be submitted at least to the Secretary of State and the Congress.
- (2) The Department of Defense should be required to give a full account of the annual use of public funds in the military assistance credit account.
- (3) The role of the Export-Import Bank in the financing of military exports should be carefully examined by the Congress.
- (4) Congress should consider making all military export credits and guarantees the subject of a simultaneous review with development loans. Both involve a charge on the resources of the recipient country and both involve the use of U.S. public funds.
- (5) Congress should examine the decision making process of the military sales program to determine whether the Arms Control Agency and Agency for International Development are meeting their responsibilities as defined by law.
- (6) The United States should take the initiative in organizing regional conventional weapons "free zones"; zones that would be free of sophisticated offensive and defensive weapons -- missiles, jet aircraft other than subsonic fighters, tanks, etc. Latin America, and perhaps north and sub-Saharan Africa, offer possibilities for such zones. 41



The question must certainly be raised as to what impact Dr. Bader anticipated his study might have. If it had been processed only as a briefing paper and retained within the files of the Senate Foreign Relations Committee its impact might have been unremarkable. It was, however, published and, as a Senate document (albeit a document bearing a disclaimer of responsibility) carried with it a certain respectability and insurance of at least some distribution. Dr. Bader, himself, has remarked that the study was "a sleeper. No one involved had any idea that the study would draw so much attention and cause so much controversy. It was probably one of those cases where the staff study acted as the last drop of acid before the litmus turned."<sup>42</sup>

Whether or not the litmus had been turning, the study proved to be a vital ingredient in congressional efforts, throughout 1967, to establish effective legislative oversight vis-a-vis the Military Assistance Program.

Even as a published document, however, it would be necessary for the study to receive some guided exposure in order for it to develop its full potential as a challenge to the administration. This exposure came, initially, from two sources. The first was Senator Eugene J. McCarthy (D - Minn.). On January 30, 1967 -- five days after the publication of the staff study -- Senator McCarthy, a member of the Foreign Relations Committee, voiced his alarm in The New York Times

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<sup>42/</sup> Bader letter, dated November 2nd 1971, p. 1.





concerning the study's findings. Specifically, the newspaper article (under a picture of the Senator) scored the Defense Department's Program of arms sales abroad and cited the study as evidence that the program was "contravening the foreign policy objective of disarmament." Further, the article indicated that the study characterized the arms sales program as "aggressive," and warned that it may have gained uncontrollable momentum.<sup>43</sup> Senator McCarthy wanted it known that he was in complete support of the staff study.

The second source of exposure for the study came from the author, himself. Dr. Bader had been assigned as consultant for two of the subcommittees of the Foreign Relations Committee -- the Subcommittee on Disarmament, whose chairman was Senator Albert Gore (D - Tenn.), and the Subcommittee on Near Eastern and South Asian Affairs, whose chairman was Senator Stuart Symington (D - Mo.). As the hearings conducted by these subcommittees progressed through the spring and early summer of 1967 Dr. Bader would have ample opportunity to inject his own views, as expressed in his study, into the dialogue between the administration and the Congress.

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<sup>43/</sup> The New York Times, January 30, 1967.





## CHAPTER III

### RESTRAINT ON MILITARY ASSISTANCE

#### INITIAL HEARINGS

#### HEARINGS BEFORE THE DISARMAMENT SUBCOMMITTEE

Less than two weeks after Dr. Bader's study, Arms Sales and Foreign Policy, had been published and circulated, the Subcommittee on Disarmament of the Senate Committee on Foreign Relations began seven days of hearings on the general subject of United States armament and disarmament problems. These hearings were held in executive session, however, it was the strong feeling of the subcommittee chairman, Senator Albert Gore ( D - Tenn. ), that the public interest would be served by publishing the testimony taken after the various executive agencies concerned had had an opportunity to make selective deletions in the interest of national security. This declassification was accomplished and the text of the hearings was made available to the public on May 2, 1967.

The first day of these hearings, February 3, 1967, was used by the subcommittee to examine the problem of strategic defense and the development of ballistic and antiballistic missile systems. On the



second day of the hearings (February 7, 1967), the subcommittee invited Mr. John T. McNaughton, Assistant Secretary of Defense for International Security Affairs (and Mr. Henry Kuss's immediate superior in the Department of Defense) to present a statement on the subject of arms sales. Mr. McNaughton's appearance was the first of any official of the administration before a congressional hearing on this subject in 1967; it came two days before the President was to submit to the Congress his message on foreign aid -- a preamble to the draft Foreign Assistance Act of 1967, which would be sent to the Congress later that month.<sup>1</sup>

Mr. McNaughton began his testimony with a simple statement likening the sales of military equipment by the United States to the provision of grant military assistance which had long been sanctioned by the Congress. He pointed out that the aggregate mix of grants and sales of military equipment had remained about the same -- averaging approximately \$3 billion each year -- during the period 1961 through

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<sup>1/</sup> Present to hear Mr. McNaughton's testimony were, among others, Senators Stuart Symington (D - Mo. ) and Eugene J. McCarthy (D - Minn. ). Senator Symington was a member of the Disarmament Subcommittee and also the chairman of the Near Eastern and South Asian Affairs Subcommittee of the Senate Foreign Relations Committee. Senator McCarthy, although a member of the Foreign Relations Committee, was not a member of either of the two subcommittees. He had, it seems, read Dr. Bader's staff study and wanted to participate in questioning the Assistant Secretary of Defense. Dr. Bader was also present in his role as consultant to the subcommittee.



1966.<sup>2</sup> Economic advances among United States military allies had allowed those allies to gradually assume the cost of the military equipment required for their defense; thus, the US Military Assistance Program had been gradually shifting away from grants and towards sales. Mr. McNaughton testifies that, since this shift had begun, sales of military equipment to developing countries had amounted only "to about 10 percent of the total," with the remainder going to NATO, Australia, and Japan.<sup>3</sup> Sales requests from countries of the Middle East, Latin America, Africa, or other underdeveloped areas were only made, according to the Defense official, "subject to the most intensive review and debate within the U.S. Government."<sup>4</sup> Further,

Every proposed sale is consonant with overall policy established by the Department of State or specifically subjected to a careful and thorough review within the U.S. Government before negotiation is initiated. This review involves not only the Defense Department, but the State Department, AID, and other relevant agencies. This review is concerned with the military legitimacy of the requirements, the recipient's ability to pay, the potential effect on peace or stability in the area, and on other foreign policy considerations. These reviews

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2/ U.S. Congress, Senate, United States Armament and Disarmament Problems, Hearings Before the Subcommittee on Disarmament of the Committee on Foreign Relations, 90th Congress, 1st session, (Washington: US Government Printing Office, 1967), p. 66.

3/ Ibid., p. 66.

4/ Ibid., p. 66.





are conducted at very high levels of Government and approval is not given until a positive determination has been made that, balance of payments considerations aside, it is in our best national interests. Secretary McNamara personally reviews all important proposed sales, and the decision frequently goes to the President. /Italics supplied./<sup>5</sup>

Mr. McNaughton had, by the date of his testimony, apparently seen Dr. Bader's study. He now included in his statement an almost point-by-point rebuttal of these deficiencies of policy control which had alarmed Dr. Bader. As indicators of the extent of the review and control of U.S. military sales, Mr. McNaughton noted the following:

(a) The U.S. maintains control over the resale or other transfer of all military material sold or granted by the United States (this includes MAP equipment in Germany to which we have sold our direct right of repossession).<sup>6</sup>

(b) The Export-Import Bank does not finance any military sales without assurance from the Departments of State and Defense that such sales are consistent with our national objectives.

(c) The credit sales fund of the DOD /Department of Defense/ is used to finance sales to those countries which can repay only over longer periods than the

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5/ U.S. Congress, Senate, United States Armament and Disarmament Problems, p. 68.

6/ The reversionary rights (rights to reclaim) to all material and services which the United States had provided to the Federal Republic of Germany as grant aid military assistance during the period 1954 to 1959 were sold to the FRG on May 25, 1962, for \$75 million. The complete list of this material and these services bears the name of Mr. Frank Nash, the Assistant Secretary of Defense (ISA) at the beginning of that period, and is often referred to, therefore, as the "Nash List."



Export-Import Bank terms will allow. The Department of the Treasury together with the AID [Agency for International Development] and DOD are primarily responsible for determining the terms under which sales are made.

(d) DOD has accounted to the Congress for the use of the credit sales fund every year since its inception in 1957.

(e) The Director of Arms Control and Disarmament and his entire staff were briefed on the military sales program and its underlying policies. All information concerning the program is available to them.<sup>7</sup>

Mr. McNaughton chose this opportunity to respond also to Dr. Bader's charge of "preemptive selling," claiming that displacing other arms suppliers in the international market was "necessary in certain cases to safeguard U. S. security interests," and that,

Our primary answer to the suggestion that we are seeking to preempt our European friends and allies in various military markets is that we do not ask any country to buy anything from us which it can buy cheaper or better elsewhere.<sup>8</sup>

Senator Eugene McCarthy (D - Minn.), a member of the Committee on Foreign Relations but not of the Disarmament Subcommittee, was present at this hearing as an interested observer. He too, it seems, had read Dr. Bader's study and was disturbed by it. Following Mr. McNaughton's statement, Senator McCarthy challenged the very neat picture of absolute policy control which the Assistant

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<sup>7</sup>/ U.S. Congress, Senate, United States Armament and Disarmament Problems, pp. 68-69.

<sup>8</sup>/ Ibid., p. 69.



Secretary had given.

SENATOR McCARTHY. What I am concerned about is the manipulations in the Defense Department. We sit around here trying to be foreign policy experts, and all this [arms sales] is going on. . . . The whole thing becomes a military determination of foreign policy, and we [the Congress] catch on as the train goes by and say, "OK, let us get up there and try to put the brakes on." I do not know where the policy is made for this kind of thing.

MR. McNAUGHTON. I can tell you

SENATOR McCARTHY. Well, you read the report of our staffman [Dr. Bader] who said he cannot find out.<sup>9</sup>

Now that the staff study had been mentioned directly in the hearings, Mr. McNaughton decided to attack it head-on.

MR. McNAUGHTON. I will do my best to provide any information you want. The second point Senator McCarthy raised [the question of where arms sales policy was made] was a very important point, and I was very disappointed with the staff study that came out in this regard, Mr. Chairman.

The decisions with respect to sales are decisions carefully made in the executive branch and are not made in the Air Force or in the Defense Department. They are made in the U.S. Government. Secretary Vance sits as a Defense Department representative on the senior interdepartmental group, SIG, and certain decisions go to that group, where they are carefully addressed by the State Department, Defense Department, AID, and some other agencies that are interested.

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<sup>9/</sup> U.S. Congress, Senate, United States Armament and Disarmament Problems, p. 72.





SENATOR SYMINGTON. You understand that was a staff study, not a committee report.

MR. McNAUGHTON. But Senator McCarthy referred to it, and there have been a number of press releases based on it, and an editorial in a newspaper said the accusations were unanswered.

[This is probably a reference to the New York Times article of January 30, 1967.] There was no attempt to get answers from us before this was published, but these decisions are carefully reviewed, and sometimes all of the interests are very difficult, ... But the State Department is intimately involved in each of these decisions. [Italics supplied.]

SENATOR GORE. How about the Disarmament Agency?  
[Italics supplied.]

MR. McNAUGHTON. The Disarmament Agency has not been intimately involved in the past. [Italics supplied.]<sup>10</sup>

Senator Symington was, apparently, somewhat surprised at Mr. McNaughton's claim that there had been no attempt to get answers from the Defense Department before Dr. Bader's study was published. He wanted to pursue the matter.

SENATOR SYMINGTON. Was the staff study shown to you before it was published and issued?

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<sup>10/</sup> U. S. Congress, Senate, United States Armament and Disarmament Problems, pp. 73-74. Senator Gore, in an effort to ascertain the extent of interagency coordination in the supervision of arms sales, addressed letters of inquiry to the Administrator for AID, the Director of the Arms Control and Disarmament Agency, the Director of the Bureau of the Budget, and the Secretary of the Treasury. The responses of these officials are at Appendix I and are recommended to the reader for insight into the real degree of coordination (or lack of it) involved in four cases of jet fighter sales to developing countries.





MR. McNAUGHTON. I never saw it, Senator.

SENATOR SYMINGTON. Was it sent over?

MR. McNAUGHTON. It was --

MR. MARCY. Mr. Carl Marcy, Chief of Staff for the Committee on Foreign Relations and Mr. Bader's superior. Dr. Bader discussed the matter with Mr. Kuss for about two hours.

SENATOR SYMINGTON. Who is Mr. Kuss? Italics supplied.

MR. McNAUGHTON. Mr. Kuss is my deputy in charge of military sales. He was not shown a draft.

MR. MARCY. We did not show him a draft. We talked to him about it for two hours.

SENATOR SYMINGTON. Why didn't you show it to them?

MR. MARCY. The staff of the committee does not feel it is necessary to show drafts to the executive branch.

SENATOR SYMINGTON. Don't you think you ought to let them see the draft so as to check possible mistakes? Italics supplied.

MR. MARCY. It just seems to me it is an improper thing for the staff to do. The people in the executive branch don't show the committee staff reports they do before they send them to Congress. This was discussed at considerable length by Mr. Bader with Mr. Kuss. It was discussed with people in the Department of State and with people in the Disarmament Agency. Italics supplied.

MR. BADER. Senator, may I say that any point of fact that was questionable was checked out with Defense or State sources.

SENATOR SYMINGTON. Let me ask Mr. McNaughton, were all the facts in it correct? Italics supplied.



MR. McNAUGHTON. The answer is "No." Facts are interpreted by assertion of judgements. /Italics supplied./

SENATOR SYMINGTON. That is what I thought you were saying and would say. /Italics supplied./<sup>11</sup>

It is noteworthy that Senator Symington, at this date, could not identify Mr. Henry Kuss, the United States chief arms salesman; this bespeaks a considerable lack of familiarity with the military assistance and arms sales program. It would be the task of Dr. Bader and others to "educate" the Senator during the weeks and months to come. Failure to show a draft of the staff study to the principals involved may well have been more than the calculated lack of administrative courtesy suggested by the Chief of Staff of the Foreign Relations Committee, Mr. Marcy. The staff study, as has been indicated by its sole author, was meant to yield maximum impact. Had the appropriate officials of the administration been given the opportunity to change its tone, to scrub its prejudicial complexion, it is likely to have emerged with its impact much reduced.

Before concluding the hearing for that day, the subcommittee chairman, Senator Gore, felt it proper to allow the administration to respond further to the questions raised by the study.

SENATOR GORE. Obviously this is a study of very keen interest to the committee. I think there is

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<sup>11</sup>/ U. S. Congress, Senate, United States Armament and Disarmament Problems, pp. 79-80.



a good deal of public interest in it and surely a good deal of public policy involved in it. . . .

Dr. Marcy has made a suggestion that you be invited to submit to the committee a factual rebuttal, your comment on the staff report.

MR. VANCE. Mr. Cyrus R. Vance, Deputy Secretary of Defense and Mr. McNaughton's superior. We would be glad to do so, Mr. Chairman. We will be delighted to do so.<sup>12</sup>

Three weeks later, on March 2, 1967, Mr. McNaughton returned to the subcommittee hearings bearing a lengthy letter of rebuttal.<sup>13</sup> This letter examined every assertion made by Dr. Bader in his study and made the following counterassertions:

1. The shift away from grant aid military equipment towards arms sales was "attributable almost entirely to natural economic developments" and was "consistent with urgings by the Congress."

2. "The process of policy review always allows for the presentation of views by State, Defense, Treasury, and AID" and the military sales program was "an accurate reflection of considered US policy."

3. That, while it was "true that no single, comprehensive report on military sales information (including munitions licenses) is prepared within the Government," the Department of Defense believed

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<sup>12/</sup> U. S. Congress, Senate, United States Armament and Disarmament Problems, p. 80.

<sup>13/</sup> The full text of this letter is provided at Appendix J.





that, nevertheless, "Congress and the general public have been extensively informed on the scope, results and future plans of the military sales programs" through such means as the annual Department of Defense Military Assistance Program presentation to the Congress and annual testimony by administration officials on behalf of that program as a part of the Foreign Assistance Act.

4. That, while, admittedly, the Department of Defense had "worked with a number of defense industry groups to further U. S. military sales" and that while such sales "contribute directly to our balance-of-payments situation," they were, in fact, made "within the framework of the rather stringent sales criteria adopted by the Secretary of Defense." According to Mr. McNaughton's letter,

- (1) We will not sell military equipment to a foreign country which we believe it cannot afford.
- (2) We will not ask a foreign country to buy anything which in its judgement, or in ours, is not needed for its armed forces.
- (3) We will not ask any foreign country to purchase anything from the United States which it can buy cheaper or better elsewhere.

Further, the United States "competitive advantage, especially with respect to highly sophisticated items," had enabled this country to become "the lowest cost and most effective producer of military equipment in the world." While European allies purchased "23% of their military equipment requirements from the United States," (77% being supplied by their own industry) they were in doing so,



saving money and other resources. In addition, sales of military equipment were satisfying American economic goals in that they:

- (1) provide 1.2 million man-years of employment in the United States,
- (2) result in nearly \$1 billion of profits to United States industry each year, and /Italics supplied./
- (3) /caused/ the backlog of orders for U.S. industry /to grow/ by 500%, from approximately \$900 million in 1961 to more than \$5 billion in 1965.

5. The Export-Import Bank did not act autonomously in financing arms sales; its policies and procedures having been established at an interagency meeting "attended by the AID Administrator, the Budget Bureau Director, and representatives of the State and Defense Departments, and under the personal chairmanship of the Secretary of the Treasury." The military assistance credit fund was not solely at the disposal of Mr. Kuss' International Logistics Negotiations Office (as the staff study had seemed to imply), but, rather, was managed "as a matter of interagency coordination, and disbursements from it are specifically controlled by the AID Administrator acting under the broad delegation of authority from the Secretary of State as set forth in the Foreign Assistance Act."

6. That, finally, in response to the study's allegations concerning pre-emptive arms sales and intensification of the arms race in underdeveloped areas, the United States was, on the one hand, simply underselling European competitors due to its comparative advantages and, on the other hand, avoiding "the serious danger of a



radical shift in the orientation of the recipient country through the introduction of Soviet arms, training missions, and other instruments of influence."<sup>14</sup>

Although most of the points made by the administration in this letter already had been either noted emphatically or at least touched upon in testimony before the Disarmament Subcommittee, the letter itself, couched in terms of discernible indignation, came as something of a surprise. Dr. Bader, the author of the staff study, recalls that "it was not anticipated that McNaughton would so react. I did not think DOD would react at all."<sup>15</sup> The Department of Defense was obviously anxious to make its case. There is some question, however, as to the effectiveness of this vehicle for doing so in a timely way. The staff study was, of course, unclassified, and although, according to Dr. Bader, "it was given normal distribution with no special effort to bring it to the attention of the rest of the Congress or the press" nevertheless it did come quickly to the attention of both the Congress and the press (recall Mr. McNaughton's ire about "a number of press releases" and "an editorial").<sup>16</sup> The rebuttal letter was classified but, again according to Dr. Bader,

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<sup>14/</sup> U.S. Congress, Senate, United States Armament and Disarmament Problems, pp. 122-125.

<sup>15/</sup> William B. Bader, letter dated November 2nd, 1971, p. 1. See at Appendix H.

<sup>16/</sup> Ibid., p. 1.



"was printed in the hearing [the Disarmament Subcommittee hearing] and the hearing given the same distribution as the study. In fact, given a wider dissemination because of the growing controversy around the issue."<sup>17</sup> The text of the hearing, however, was not, in fact, released to the public until May 2, 1967, two full months later. The administration's case in the matter of arms sales would go largely unheard for some time.

Worse still, the rebuttal letter contained a factual error which would cause the administration some degree of trouble. In its justification of arms sales as being responsive to American economic goals the letter had stated that such sales yielded "nearly \$1 billion of profits to United States industry each year." Senator Wayne Morse (D - Ore.), already an established firebrand in opposition to military assistance, immediately seized upon this figure. Although he was not a member of the Disarmament Subcommittee (he was, though, a member of the Committee on Foreign Relations), Senator Morse was present on March 2 and asked to have a memorandum entered in the record of the hearings. The classified rebuttal letter was, he felt, "another example of the executive branch classifying its embarrassments."<sup>18</sup> Senator Morse contended that,

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<sup>17/</sup> William B. Bader, letter dated November 2nd, 1971, p. 1.

<sup>18/</sup> Senator Wayne Morse, memorandum dated March 2, 1967, published in U.S. Congress, Senate, United States Armament and Disarmament Problems, p. 125. See at Appendix K.





... the fact that military sales abroad provide profits -- not contracts, but profits -- to American business in the magnitude of \$1 billion a year is a statistic to make us wonder whether profits in the arms traffic are not making us a profiteer in blood money.<sup>19</sup>

This concern over "blood money" led him to conclude that,

The Department's response does not rebut the essential points of the Committee study. The alarms it raises call for a complete, public re-thinking of our arms sales policy. /*Italics supplied.*<sup>20</sup>

Senator Gore, the subcommittee chairman, was also shocked at the profit figure given by the Department of Defense; he inquired of Mr. McNaughton about it.

SENATOR GORE. ... statement in your letter that these sales provide nearly \$1 billion of profits to the U.S. industry each year --

MR. McNAUGHTON. Did I say "each year," Mr. Chairman?

SENATOR GORE. Yes. You say "each year" on page 5, first paragraph. In view of the policy implications, the magnitude of this problem, and the extremely limited role that the Congress plays and the limited information it has had on this subject, the committee may very well find itself favorable to Senator Morse's motion. That public

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<sup>19/</sup> U.S. Congress, Senate, United States Armament and Disarmament Problems, p. 125.

<sup>20/</sup> Ibid., p. 125.



hearings be held investigating the arms sales program./ What would be your view of a public hearing on this subject?

MR. McNAUGHTON. First, I would like to say that I want to double check this figure of \$1 billion each year. It is in my letter this way. This does not sound correct.  
/Italics supplied./

SENATOR GORE. This was given to us last time.

MR. McNAUGHTON. I understand. I wrote this letter.

SENATOR GORE. What I am saying is that this particular statement was given the committee before, as I recall.<sup>21</sup>

MR. McNAUGHTON. I want to double check this figure because our total sales program runs about one and a half billion per year, and how it could be a billion dollars in profits out of one and a half billion dollars of business is a little difficult for me to understand. I will double check that number.<sup>22</sup>

The number was shortly rechecked and was found to represent sales profits over a five year period.<sup>23</sup> Damage had, however, been done by this piece of misinformation. Not only had an outraged Senator Morse called for public hearings (thus stirring up considerable

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<sup>21/</sup> The statement that Senator Gore probably remembered -- incorrectly -- was the concluding sentence of Mr. McNaughton's prepared statement given to the subcommittee as part of his testimony on February 7, 1967; to wit: "Our sales have created ... over \$1 billion in profits to American industry over the last five years." /Italics supplied./ U.S. Congress, Senate, United States Armament and Disarmament Problems, p. 69.

<sup>22/</sup> Ibid., pp. 133-134.

<sup>23/</sup> Ibid., p. 136.



interest on the subject of arms sales), but Senator J. W. Fulbright (D - Ark.), Chairman of the Committee on Foreign Relations and the loudest critic of the administration's foreign policy, had become aroused. He was now, in fact, present at the hearing. Dr. Bader's study and the erroneous profit figure delivered by Mr. McNaughton had served to flag for Senator Fulbright a whole new arena for contest with the administration -- an arena in which the administration was beginning to appear to be vulnerable. The Senator had, apparently, begun to do some research on his own.

SENATOR FULBRIGHT. I have a copy of Armed Forces magazine. It is primarily supported by ads from people who get big contracts from the Pentagon so, in effect, it is practically a Pentagon magazine. It states:

In five years the military export sales program has emerged from an afterthought to a major concern of the U. S. Government.

It goes on to say what a magnificent job Mr. Kuss has done in increasing the sales. /Senator Fulbright, at least, could identify Mr. Kuss./ Here again I think that these sales ought to be carefully analyzed. I would like to know not only what the sales are, but the net income. When I say net I mean deducting all kinds of aid that we give to respective countries that purport to buy our arms. I have a hunch that in a great many of the countries all we are doing is obtaining cash from the sales, giving the manufacturers their billion dollars of profit, while paying for a big part of it out of foreign aid, Public Law 480, or loans of some other kind. /Italics supplied./<sup>24</sup>

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<sup>24/</sup> U. S. Congress, Senate, United States Armament and Disarmament Problems, p. 134.





If full disclosure of the arms sales feature of the Military Assistance Program had really been made to the Congress, as Mr. McNaughton had claimed, somehow Senator Fulbright had been overlooked. At any rate, the billion dollar profit figure certainly brought it to his attention. In Senator Fulbright's view, an active arms sales program was far from beneficial for the economy; rather,

It does not really increase the peoples' earning power. In fact it is just the opposite. It constitutes a great drain on them, and I am more and more inclined to be dubious about maintaining the military aid program because it is doing nothing but creating a far-flung organization of petty armed states which are bound to come to no good end. I do not think it is a very wise policy.<sup>25</sup>

If Mr. McNaughton thought that by correcting the figure which he had given for profits derived from arms sales he could placate Senator Fulbright, he failed to consider the Senator's well known tenacity. The attack had only just begun.

SENATOR FULBRIGHT. Let me talk about this policy matter in public hearings. Again referring to the Armed Forces magazine: This is certainly a public magazine. Here is the item, "Can the United States Maintain the Momentum of Its Military Sales?" This is a 10-page article; the subheading reads, "As the number of major weapons systems to be sold overseas decreases, how does International Logistics Negotiator Henry Kuss plan to maintain his annual one and a half billion dollar pace?"

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<sup>25/</sup> U.S. Congress, Senate, United States Armament and Disarmament Problems, p. 134.



The next item, an article in this magazine, is entitled "How the Pentagon Organizes for World-wide Arms Sales."

All this gives the impression that we are going all out to sell arms to any and everybody we possibly can, and the implication from the editorial is that this is the way we are going to offset our balance of payments deficit. I cannot think of a more disastrous way to do that because we are just piling up trouble for the future.<sup>26</sup>

Other members of Congress might be favorable towards an arms sales program (particularly if the arms were manufactured in their states or districts), and some might be ambivalent, but Senator Fulbright -- whose power in the Congress was considerable -- was putting himself on record as being adamantly opposed.

SENATOR FULBRIGHT. The United States, which professes to be a peaceful country and a stalwart supporter of the U.N. now becomes the biggest arms salesman the world has ever seen. It seems to me that you might have some qualms about presenting this terrible word "image" of the United States as a country doing everything possible to induce poor nations to buy arms because we want to balance our payments. ... It seems to me this is a disaster. /Italics supplied.<sup>27</sup>

Mr. McNaughton had already shown that he was sensitive to criticism about the arms sales program which was flourishing under his supervision (although he must have suffered some embarrassment

<sup>26/</sup> U. S. Congress, Senate, United States Armament and Disarmament Problems, p. 137.

<sup>27/</sup> Ibid., p. 137.



due to his temporary inability to say with certainty whether the program was yielding its \$1 billion profit over one year's time or five). Now his sensitivity would lead him into a sharp verbal exchange with one of the most powerful men in the entire legislative branch.

MR. McNAUGHTON. I would like to make the point: first, that it is rare that anything the Defense Department puts out, although sometimes something like this magazine article happens: it is rare that the Defense Department contributes to the image you discuss.

SENATOR FULBRIGHT. There is a big picture of Mr. Kuss. I am sure they must have consulted him on this.

MR. McNAUGHTON. They interviewed him the same way that your staff member /Dr. Bader/ interviewed him in preparing your committee staff study. /Italics supplied./

SENATOR FULBRIGHT. This is obviously based upon support of your clients to whom you pay money. Practically every advertiser in here /the Armed Forces magazine/ has huge contracts with you.

MR. McNAUGHTON. Most of the bad image is created by such things as an article of this sort: the committee staff study of the type that came out from the staff of this committee, statements by members of the Congress, or sometimes by press reports of speeches by my deputy, Mr. Kuss. Generally by the critics of the sales program.<sup>28</sup>

At a moment when a certain amount of diplomacy might have salvaged at least some of the reservoir of good will which existed in

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<sup>28/</sup> U. S. Congress, Senate, United States Armament and Disarmament Problems, p. 137.





the Congress and the press for the Military Assistance Program, Mr. McNaughton would not let go of his dudgeon and so, lashed out at both.

MR. McNAUGHTON. The image that is given, for example, all the way through the committee staff report is one of our energetically seeking business.

SENATOR FULBRIGHT. It is the same way right here. [It is unclear whether the Senator meant in the magazine or in the subcommittee hearing.]

MR. McNAUGHTON. This is untrue, and I think it should be fully understood that this is untrue. The efforts that we put into this program by a factor of five to one are efforts to avoid selling. [Italics supplied.]

SENATOR FULBRIGHT. I can guarantee that is not true here. [Italics supplied.]

MR. McNAUGHTON. I can guarantee that it is true in fact. It is my program, and this is where most of our efforts go [deleted] trying to find ways to keep a country from spending its resources on things it should not spend them on. This is not always the case, but in no case do we practice the hard sell, and I think that should be fully understood. [Italics supplied.] 29

There is evidence that the Defense official's argument was being received, at least by some, with a certain amount of sarcasm.

MR. McNAUGHTON. But one point I think you should understand, that these efforts, imperfect as they may be, Senator Fulbright, are paying off.

SENATOR GORE. [Interjecting --] In dictatorships?

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29/ U.S. Congress, Senate, United States Armament and Disarmament Problems, pp. 137-138.





MR. McNAUGHTON. They are paying off in terms of military, the size of the military establishment. There is a human, psychological, political, internal problem that these governments have to deal with, just as you have to deal with who sits where around the table or who is where in the Pentagon. These problems are important to these people and, therefore, we move slowly to contract their expenditures on sophisticated types of equipment which, in our view, are unnecessary.<sup>30</sup>

Senator Fulbright had, by this time, become increasingly anxious to air the administration's arms sales program outside of executive session. He continued to pursue the matter.

SENATOR FULBRIGHT. Are you opposed to a public hearing on this subject . . . ?

I think this is important not only from your military point of view, but from the point of view of foreign relations. I think in the long run it matters what the world thinks. I do not like for the world to think of us as being interested only in waging war in southeast Asia and arming everybody else in an effort to make money, and to line up everybody in a military confrontation with your enemies of the moment. I do not think it is a wise policy.

It seems to me a public hearing on this would be justified so that the Senate as a whole and the public share the responsibility with us. This committee cannot stop you; I realize that. Certainly I cannot. Only public opinion and the Congress as a whole can. They ought to at least share the responsibility of knowing what is going on. I would, therefore, think public hearings are justified because this is a major policy matter. */Italics supplied./*<sup>31</sup>

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<sup>30/</sup> U. S. Congress, Senate, United States Armament and Disarmament Problems, p. 138.

<sup>31/</sup> Ibid., p. 140.



Dr. Bader's efforts had now borne real fruit. Thanks to some imprudent braggadocio on the part of Mr. Kuss, some illtimed publicity, an error in the Defense Department's rebuttal letter, and, perhaps, Mr. McNaughton's responses to Senator Fulbright's baiting, the administration's arms sales program had been pronounced "a major policy matter." The charge that the Department of Defense was "a profiteer in blood money," albeit it stemmed from reaction to erroneous information, would follow the administration throughout the year and would help to drain further whatever good opinion remained in the Congress for the Military Assistance Program.

In response to Senator Fulbright's challenge to place the subject of arms sales before the public, Mr. McNaughton's answer, although completely proper, seemed weak and evasive.

MR. McNAUGHTON. On the question of public hearings you, of course, should address this question to the Secretaries involved, /the Secretaries of State and Defense but my own view is that it would be very difficult to answer the specific questions that come up as to why sales in this case, why not in that case. What were the other agreements that the country made that made this a more sensible deal than appears by just a transfer of arms, this sort of thing. This can hardly be done in public session without gravely injuring our relations with the countries involved.<sup>32</sup>

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<sup>32/</sup> U.S. Congress, Senate, United States Armament and Disarmament Problems, p. 141.



Although most of this hearing on the subject of arms sales seems, thus far, to have been primarily concerned with either the administration's rebuttal to Dr. Bader's staff study or the increasing likelihood that public hearings would be called for, there were two substantive issues raised which were shortly to capture the imagination of arms sales critics -- the question of the resale of United States military equipment, and the problem of so-called country - X loans. The chairman of the subcommittee, Senator Gore, was curious about both of these issues and twice exercised his prerogative as chairman to interrupt the heated dialogue between Senator Fulbright and Mr. McNaughton. First, he inquired about the resale of equipment.

SENATOR GORE. Do you have any indication as to the amount of profit that the private concerns in recipient countries are earning from the resale of American armed /sic/ equipment?

MR. McNAUGHTON. Well, I do not know how, Mr. Chairman, I do not know how private concerns in these countries would be involved. It is conceivable that the sales might be made through private sources.

SENATOR GORE. There is a German concern -- I am not sure how private it is -- named Merex, an organization through which the sales of American equipment are made to third countries. Would you be able to supply the committee with information about the amount of sales of this organization, to whom, and at what price?

MR. McNAUGHTON. I will try to get that information, Mr. Chairman, and, submit it to you. I will also try to find out the nature of this organization. /Italics supplied./





If, in fact, countries which had received United States military equipment through either grant aid or arms sales were reselling that equipment to other countries there might be at least three ramifications which could be considered unfortunate: (a) the United States would be providing the wherewithal for such countries to implement their own foreign policies, possibly running counter to that of the United States; (b) such disposition of military equipment granted or sold by the United States might be in violation of "end-use" agreements which had always accompanied grants and sales (which raises the question of whether or not the administration might have been ignoring resales -- or, worse, might have been ignorant of them altogether); and, (c) recipient countries which had been provided with military equipment by the United States at little cost (or no cost at all) would stand to profit through such resales and, further, might actually be in competition with American arms sales companies.

Mr. McNaughton provided the following information for the record in response to Senator Gore's question.

Merex AG, a private firm was established in Vevey, Switzerland, in 1963, and deals primarily in industrial and military ordinance equipment sales to foreign governments. It is headed by G. G. Mertins, who was formerly a Daimler - Benz Near East sales representative. The company operates in several European countries, and is the West German agent for Interarmco Ltd., whose president is Samuel Cummings, an American. Interarmco reportedly is a 17-company international



organization.<sup>33</sup>

Lacking any immediate response from Mr. McNaughton on the arms resale problem, Senator Gore next brought up the subject of country - X loans.

SENATOR GORE. Mr. Secretary, the staff study stated that in addition to its role in making direct loans to major industrial countries, the Export-Import Bank makes so-called country - X loans. Such loans are the result of the Ex-Im Bank establishing what amounts to an account receivable fund for the use of the Department of Defense. The study states, "The Ex-Im Bank does not know or want to know where this money goes." These funds are being utilized without reference to Congress. This is a serious matter. What, in fact, is the country - X account? Why is such a device necessary? Italics supplied.

MR. McNAUGHTON. It is simply a line of credit which can be used by the State Department, AID, DOD cooperating in making a decision as to a credit sale of arms. That you can then go to Ex-Im and say, "We need so much to cover deal so and so."

SENATOR GORE. What does the aggregate of the country - X account amount to?

MR. McNAUGHTON. The total financed so far from fiscal year 1962 to 1969 runs approximately \$800 million. They have undertaken to finance, including things not yet financed, they have undertaken to finance a total of about \$2.6 billion.

SENATOR GORE. But nowhere in your reference to the various phases of the U.S. Government in making decisions about country - X loans have

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<sup>33/</sup> U.S. Congress, Senate, United States Armament and Disarmament Problems, p. 136.



you referred to any part that the Congress plays in allocating \$800 million, and yet we theoretically have a representative democracy.

MR. McNAUGHTON. Mr. Chairman, I hope I did not give that impression, because each year when we come in here to testify before the full committee we present reclamation --

SENATOR GORE. You tell us about country - X accounts?

MR. McNAUGHTON. No. But we tell you where sales are going to be made, and we tell you where the sales by countries are going to be made so that you know where the arms are going to go, and we tell you how the financing is going to be handled. If this is not complete, Mr. Chairman, I would be glad to improve the reporting system to you, and our planning.  
[Italics supplied.]

SENATOR GORE. Fine.<sup>34</sup>

Mr. McNaughton's explanation of country - X loans may have been accepted as "fine" on this occasion, however, as members of the Congress in this and other committees began to give the issue serious consideration it would seem to them that the Assistant Secretary of Defense, in making his response to Senator Gore, might have been purposefully brief and even, perhaps, not completely candid. Mr. McNaughton would, in fact, come to be hounded on this subject literally until the day he died.

The subcommittee hearing had now nearly reached the time for adjournment. Senator Joseph S. Clark (D - Penn.), who had not

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<sup>34/</sup> U.S. Congress, Senate, United States Armament and Disarmament Problems, pp. 142-143.



commented thus far, was disturbed about the policy control arrangement for sales of military equipment. In his view,

SENATOR CLARK. It is a great dereliction of their responsibilities on the part of the Arms Control and Disarmament Agency that they have not taken the lead in this, . . . . I read this reply of yours to our staff study . . . . I am concerned that behind some very able legal verbiage you come pretty close to admitting that what the staff study says is right. In the second place, I think this whole problem should not be within the jurisdiction of the Department of Defense. It has been conducting this aggressive sales policy which is building up military equipment to feed on animosities centuries old, especially in the Middle East. I do not think the policy on this matter is correct. I think ACDA ought to have a bigger say, and if they are not asserting themselves, they ought to. This trend has to be stopped. *Italics supplied.*<sup>35</sup>

The Senator's anxiety about feeding animosities in the Middle East would seem prophetic when, just three months later, another Arab - Israeli war would erupt. As hearings on the military assistance portion of the Foreign Assistance Act of 1967 progressed through the year, it would become noteworthy that many other members of the Congress shared Senator Clark's dismay in discovering that the

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<sup>35/</sup> U.S. Congress, Senate, United States Armament and Disarmament Problems, pp. 144-145.





federal agency chartered for arms control was not, in fact, controlling arms at all; its energies being expended elsewhere.<sup>36</sup>

Before the hearing closed, Mr. McNaughton sought to reach some polite accommodation with the subcommittee on the subject of arms sales.

MR. McNAUGHTON. I want the committee to understand that I do not want this committee to feel towards the sales program the way Senator Symington said he feels. [Apparently, that administration disclosure of details of the program had been less than adequate.] I want this committee to have the information; indeed, I want to have it before them, and I want them to understand what we think we are going to do in the interests of the United States.

SENATOR GORE. Mr. Secretary, I do not think anyone doubts the sincerity and earnestness of your desire to communicate and fully inform this committee. I think a gulf has developed because of possible breakdown in communication. Here is the chairman of the Middle East Subcommittee [Senator Symington, chairman of the Near Eastern and South Asian Affairs Subcommittee.] who learned from the press about the development in Iran. [Presumably, a barter arrangement between Iran and the Soviet Union whereby Iran would receive Soviet military equipment in return for natural gas -- while Iran would still be receiving military equipment from the United States through grants and sales.]

I do not like this country - X account, and these kinds of devices which really go around any participation by the Congress or any of its committees. Things grow like Topsy, you know, and this program has grown without adequate participation of the Congress. Both the executive and the legislative branches need to work at proper liaison in communication. [Italics supplied.]

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<sup>36/</sup> The letter written by the Director of the Arms Control and Disarmament Agency in response to Senator Gore's inquiry (at Appendix I) provides some indication of the interests that competed for that agency's attention and which constrained its participation in arms sales decisions.



MR. McNAUGHTON. I am prepared to cooperate fully.<sup>37</sup>

# HEARINGS BEFORE THE NEAR EASTERN AND SOUTH ASIAN AFFAIRS SUBCOMMITTEE

If Senator Symington had appeared unfamiliar with the arms sales feature of the U.S. Military Assistance Program in early February, by mid-March he had been made knowledgeable enough to want to conduct his own hearings on the subject. On March 14, 1967, he began a series of executive sessions, the purpose of which was to explore "not whether the United States should or should not be selling this military equipment; rather whether the governmental machinery is coordinated adequately; and also whether the Congress is properly informed and consulted before such decisions are made."<sup>38</sup>

Present at the first of these sessions were the following non-members of Senator Symington's subcommittee: Senators Fulbright, Gore, Clark, and McCarthy. Also present was the subcommittee consultant, Dr. William B. Bader. Assistant Secretary of Defense McNaughton was not asked to appear before this subcommittee; it was his Deputy

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<sup>37/</sup> U.S. Congress, Senate, United States Armament and Disarmament Problems, p. 150.

<sup>38/</sup> U.S. Congress, Senate, Arms Sales to Near East and South Asian Countries, Hearings Before the Subcommittee on Near Eastern and South Asian Affairs of the Committee on Foreign Relations, 90th Congress, 1st session, (Washington: US Government Printing Office, 1967), p. 1. Like the Disarmament Subcommittee hearings, testimony received by Senator Symington's subcommittee was released to the public only after the administration had had the opportunity to make selective deletions in the interest of security: in this case, not until July 11, 1967.



for International Logistics Negotiations, Mr. Henry J. Kuss, whose testimony the senators wanted to hear.

At the time of this hearing, Mr. Kuss had accumulated 23 years in the service of the Department of Defense. He had worked for seven years within the United States Navy supply system and for another seven years in the Office of the Assistant Secretary of Defense, Comptroller. In 1957 he became the head of a division within the Department of Defense which planned military assistance and determined the resources of foreign countries in meeting mutual military objectives together with the United States. Following recommendations by the Joint Chiefs of Staff and the Assistant Secretary of Defense (ISA), Mr. Kuss was, in 1962, asked to head a small organization within the International Security Affairs branch of the Defense Department, the mission of which was to develop forms of military assistance other than grant aid. That organization became known as the Office of International Logistics Negotiations. Mr. Kuss explained the title and the function of his organization.

MR. KUSS. In the past 5 years we have developed techniques of communicating with our allies to assist in promoting their defensive strength consistent with our political and economic objectives without using grant aid. We and they call this communication "negotiation." Anybody who is using his own money does not wish to call it assistance; he calls it negotiation.

We have developed machinery for the management of sales throughout the Government to assure that the political, economic and military aspects are considered extensively at the highest level.





Through this communication, and following the process of Government review, we have consummated arrangements for orders and commitments totaling over \$11 billion in the last 5 years, 90 percent of which is for seven largely industrialized countries, and the balance of 10 percent, while it covers some 40 countries, is largely only to three countries.<sup>39</sup>

The reliance which Senator Symington had in his young consultant, Dr. Bader, is evidenced by the fact that it was the consultant, and not a senator, who was appointed to handle the initial interrogation of Mr. Kuss. The staff study had flagged the disposition and sales of several types of jet aircraft to various countries. Mr. Bader's line of questioning indicates that he wished official corroboration of those transactions to appear in the record.

MR. BADER. What is our present position with respect to the supply of military equipment to Pakistan?

MR. KUSS. Ever since the -- immediately during the war we ceased all supplying of equipment to both Pakistan and India. Many months later we instituted a policy of selling nonlethal equipment to Pakistan and India.

MR. BADER. Would you define nonlethal?

MR. KUSS. It is a very difficult thing to define, but generally it has covered the kind of things that are in the ground environment for aircraft, radar control systems, radios, trucks: it does not include even

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<sup>39/</sup> U.S. Congress, Senate, Arms Sales to Near East and South Asian Countries, pp. 3-4. Mr. Kuss retired from government service in 1969 and now is president of Henry J. Kuss, Jr. Associates -- an import-export firm located in Arlington, Virginia (which, as of this writing, does not deal in military equipment).



armored personnel carriers that have no weapons on them. Actually, there has been no activity going even though we have had that policy, there has been no activity since we changed that policy.

MR. BADER. So we have a policy of total embargo on what one could define as lethal military equipment to Pakistan?

MR. KUSS. Yes, we do.

MR. BADER. During the Subcommittee on Disarmament hearings, Mr. McNaughton was asked to submit a list of military equipment of U. S. origin that the West German Government has resold or given to a third country. On that list was an item of 90 F-86 aircraft that the West German Government sold to Iran. Is that correct?

MR. KUSS. To Iran?

MR. BADER. Yes, I understand that these aircraft are actually in the possession of Pakistan. Would you care to comment? /Italics supplied./ 40

Dr. Bader was, of course, leading the witness toward the presumption that United States policy vis-a-vis Pakistan was being circumvented by a recipient of U.S. military assistance -- either with or without the knowledge or approval of Washington. In order to make this point clear for the subcommittee Dr. Bader inquired further of Mr. Kuss before the latter could phrase his comment;

MR. BADER. While you are getting that -- let me ask you another question. As I understand it, we include in our military sales or grant agreement

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40/ U. S. Congress, Senate, Arms Sales to Near East and South Asian Countries, pp. 6-7.



with West Germany a so-called end-use agreement. Is that correct? That is, we have [deleted] veto, as Mr. McNaughton said, over the final disposition of American military equipment.

MR. KUSS. That is right.

MR. BADER. So in the case of these F-86 [sic] if they are not in Iran -- if they actually belong to Pakistan -- then the West German Government and perhaps the Iranian Government, if they were the middleman in this case, have turned aside what was American desire and policy with regard to Pakistan. Would that be correct?

MR. KUSS. The aircraft which you mentioned were produced in Canada under U.S. license, and provided by Canada to the Federal Republic of Germany.<sup>41</sup>

If Mr. Kuss thought that by shifting the responsibility for this transaction to Canada, as the original producer of the jet aircraft in question, he could evade the issue, he was mistaken. His answer raised a new issue -- one that Senator McCarthy was alarmed about.

SENATOR MCCARTHY. Why was that done? Explain that procedure to me. Why were they manufactured in Canada? ... I just want to know what is the game? Why do the Canadians do it for Germany under our license? The Canadians don't have a serious balance-of-payments problem with Germany. We do.

MR. KUSS. My answer to the first question, to start with, first of all, the North American Aircraft Corp. has the rights to license foreign manufacturers to produce F-86 aircraft in this case. They obtained that right through their contractual arrangements with the Defense Department.

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<sup>41/</sup> U.S. Congress, Senate, Arms Sales to Near East and South Asian Countries, p. 7.





They then obtained the approval of the Office of Munitions Control, in the State Department who would also check it out with Defense, to license Canada to produce not only for themselves but for other countries as they were able to work out mutually agreeable sales arrangements.

The U.S. Government, in reviewing that license, approved it but insisted that the license itself deleted. And, further, in that particular agreement, that if the other country were to ever sell it to any other country, they must also get the approval in succession of the U.S. Government.  
Italics supplied. /42

Since, as Mr. Kuss testified, F-86 aircraft produced in Canada were subject to virtually the same end-use agreement as like aircraft produced in the United States, the point which he raised -- as to the origin of the aircraft which had, it seems, ultimately gone to Pakistan -- was hardly relevant. Senator Symington was anxious to determine if the transaction was accomplished with the knowledge of the United States Government.

SENATOR SYMINGTON. Did we know of the movement by Iran of the F-86's from Iran to Pakistan?

MR. KUSS. No. As a deliberate plan of our own. No, we did not know. . . . We expressed no objection to a sale to Iran, not Pakistan.

SENATOR SYMINGTON. How many weeks was it, roughly, or months, after they went into Pakistan that we found out that they had gone to Pakistan?

MR. KUSS. It was some months, and after





consultation with Germany and Canada, both countries protested. /presumably to Iran/. Iran stated that the aircraft were in Pakistan only for repair.

SENATOR SYMINGTON. How many went from Iran to Pakistan?<sup>43</sup>

Mr. Kuss could not answer the Senator's question, but he later supplied the following information for the record.

All 90 of the aircraft involved in the transaction were delivered to Iran between March and November, 1966 and then sent to Pakistan, allegedly for repairs. Of these, 26 were returned briefly to Iran in October 1966. We do not have precise information as to where these planes may be at a given moment, in view of the pattern of their being moved back and forth between the two countries.<sup>44</sup>

If it occurred to any of the Senators that the administration might have simply acquiesced in an arrangement which provided Pakistan -- a SEATO ally -- with access to jet fighters despite a U.S. embargo on lethal military equipment, they did not choose to raise the issue; rather they yielded to Dr. Bader. He wished to know more about the details of the F-86 transaction.

MR. BADER. ... according to information provided by Mr. McNaughton, there is a private firm in West Germany, by the name of Merex. The Merex Corp.,

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<sup>43</sup>/ U.S. Congress, Senate, Arms Sales to Near East and South Asian Countries, pp. 8-9.

<sup>44</sup>/ Ibid., p. 9.



according to our information, is the West German agent for Interarmco.

Could you tell the subcommittee whether these F-86's went from the West German Government to Merex and then to Iran?

MR. KUSS. No, I really could not tell you that, although it is likely because I know -- I deal very closely with the Federal Republic of Germany, and they follow a normal policy of using Merex as their distributor, and not dealing directly themselves.<sup>45</sup>

Mr. Kuss later supplied for the record a statement confirming that Merex, had, in fact, handled the sale of the F-86's to Iran. The consultant then wanted to know whether Merex had sold 200 to 400 tanks to Iran, tanks which, according to Dr. Bader, might have finally gone to Pakistan. Mr. Kuss flatly denied any knowledge of tanks going from Iran to Pakistan.<sup>46</sup> Dr. Bader next brought up the subject of a sale of F-4 jet fighter-attack aircraft to Iran. Senator Symington was upset about the lack of administration disclosure of this sale.

SENATOR SYMINGTON. Now, when was the Congress notified that F-4's were going to be shipped to Iran?

MR. KUSS. I do not believe the Congress was notified, Senator, until Mr. McNaughton spoke on the subject. Before the Disarmament Subcommittee.

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<sup>45/</sup> U.S. Congress, Senate, Arms Sales to Near East and South Asian Countries, pp. 10-11.

<sup>46/</sup> Ibid., p. 11.



SENATOR SYMINGTON. That was after it was in the press?

MR. KUSS. Correct, sir.

SENATOR SYMINGTON. And we talked about governmental machinery. Is it the policy of the Defense Department to tell the press before it tells the Congress about such sales?

MR. KUSS. As a matter of fact, I do not believe we told the press.

SENATOR SYMINGTON. Do you not think, if you make a sale of a sophisticated, modern airplane to a foreign government, the Congress should be informed?

MR. KUSS. I think I can best answer that question by saying it is not my function to determine that answer, sir.

SENATOR SYMINGTON. Well you could say this, could you not; that you did not inform the Congress?

MR. KUSS. Yes, sir.

SENATOR SYMINGTON. And you do not know anybody who did inform the Congress.

MR. KUSS. Yes, sir.

SENATOR SYMINGTON. And to the best of your knowledge it would have remained a secret /deleted/.

MR. KUSS. No, sir; it would have been perfectly evident in this year's presentation of the congressional program, because it has been occurring in the last year, and in describing our congressional program for this year we would have been describing that which we have provided to Iran in the last year.

SENATOR SYMINGTON. And that means that the planes would first be sold, then somewhere between 6 and 9 months later the Congress would be informed.  
/Italics supplied./





MR. KUSS. Yes, sir. /Italics supplied./ 47

Having established that the administration was following a disclosure policy which was, to say the least, tardy, Senator Symington moved to another facet of the F-4 sale to Iran with which he was upset.

SENATOR SYMINGTON. When did you find out for the first time for a Western country, in a Western alliance /CENTO/, the Iranians were going to purchase over \$100 million of military equipment from the Soviet Union? When were you informed of that?

MR. KUSS. Early in 1966.

SENATOR SYMINGTON. So you knew that sale was going to be made before you agreed to sell them the F-4's. /Italics supplied./

MR. KUSS. Yes, sir. /Italics supplied./ 48.

The justification given by the administration for application of the Military Assistance Program to Iran had always been that Iran was one of the "forward defense" countries; that is, like Greece and Turkey in Europe and South Korea and Taiwan in Asia, Iran was on the frontier facing the communist powers. Some or all of these countries would be among the first in the free world to be attacked should either or both of those powers commence active aggression. Other countries, such as Germany, were, of course, also on the frontier but, being industrialized

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47/ U.S. Congress, Senate, Arms Sales to Near East and South Asian Countries, pp. 13-14.

48/ Ibid., p. 14.



and relatively wealthy, their participation in the original grant aid Military Assistance Program had been terminated some years previously. Although they were now the recipients of arms sales administered as part of that program, sales did not require the same stringent justification as did grants of military equipment and, so, terminology such as "forward defense" was no longer applicable to them.

In the case of Iran, a total of \$1.4 billion in grant military equipment had been provided since World War II and now, in 1967, sales of military equipment were beginning to mount up -- all justified by the supposed antipathy of the Shah for the communist powers. It is hardly surprising then, that Senator Symington was somewhat dismayed to find that Iran was about to receive military equipment from the Soviet Union as well as from the United States. It seemed to be the kind of situation that might shake the faith of any observer in the administration's conduct of foreign policy and control of the Military Assistance Program -- particularly an observer who, despite his privileged position in the Congress, felt that he had been forced to do his observing "through a glass, darkly."

Another Senator, one who had listened thus far in uncharacteristic silence, now felt it appropriate to challenge Mr. Kuss on a more personal basis.

SENATOR FULBRIGHT. Mr. Kuss, you have no feeling of responsibility, I assume, for the political developments in Iran. All you do is sell arms, is that right?



I read a very interesting article about your activities and you apparently are an effective arms salesman.

MR. KUSS. Well, we all learn in the United States very early never to believe everything we read, sir, and I tried to explain earlier --

SENATOR FULBRIGHT. I don't want you to repeat anything you said.

MR. KUSS. Well, I think it would be important. For many years I was director of Military Assistance Planning and also responsible for studying the application of country resources, and the application of policy which says that countries who could afford to pay for their necessary requirement for forces, [deleted] should do so.

All my office does is try to carry out a program of the United States that does the same thing, the same objectives that we have before and do it without grant aid.

SENATOR FULBRIGHT. But who makes the decision to sell arms? Who determines the country's capacity to purchase arms without endangering their economy? Do you, as an official of the Defense Department? [Italics supplied.]

MR. KUSS. It is my responsibility since the management for funds must be put somewhere to see to it that that is managed in a viable way. [Italics supplied.] 49

If Mr. Kuss was, indeed, responsible for arms sales decision making, Senator Fulbright wanted to elicit from him the motive behind the sale of the very sophisticated and very expensive F-4 jet fighter-attack aircraft to Iran. Retreating from his assertion of responsibility, Mr. Kuss claimed that it had been the "political and economic machinery



which made the principal decision in the case of Iran."

SENATOR FULBRIGHT. Of our Government or theirs?

MR. KUSS. Of our Government.

SENATOR FULBRIGHT. By the Pentagon?

MR. KUSS. No, sir. Absolutely not.

SENATOR FULBRIGHT. The highest level is the Pentagon, isn't it? [Italics supplied.]

MR. KUSS. No, it is not.

SENATOR FULBRIGHT. You don't think so?

MR. KUSS. We are minions of the wheels. [Italics supplied.]

SENATOR FULBRIGHT. You don't believe General Eisenhower knew what he was talking about when he spoke of the dangers of the military and industrial complex?

MR. KUSS. No, sir. [Italics supplied.] 50

The grim specter of the American military - industrial complex -- coordinating its operations in such a way as to concoct self-serving rationale for allied defense requirements on the one hand, while profiting hugely from supplying those requirements on the other -- had now been incarnated. In a season when it was quickly becoming fashionable to ascribe every blemish of United States foreign and domestic policy to the machinations of such a complex, it could easily

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50/ U.S. Congress, Senate, Arms Sales to Near East and South Asian Countries, p. 18.





be accepted that here, in the Military Assistance Program, was one more example of unfettered power run amok. All the testimony by all the administration witnesses throughout the entire year of 1967 would, unfortunately, never really allay this suspicion.

Senator Symington, in closing the hearing that day, made a final complaint.

As chairman of the subcommittee which embraces this part of the world, it is a fact that I had no knowledge of the sale of these planes F-4's to Iran or the purchase of the military equipment by Iran from the Soviet Union until I read it in the newspapers. So one wonders just what is the position, let alone the prerogatives of the Congress when it comes to this type and character of operation.<sup>51</sup>

In order to inform himself and his colleagues more adequately on this operation of arms sales, Senator Symington next called before his subcommittee Mr. Samuel Cummings, the president of the International Armament Corporation -- the "Interarmco" mentioned in previous testimony. Mr. Cummings' appearance before the subcommittee (which again included Senator Fulbright, as an observer) took place on April 13, 1967. Although action had already begun in the House of Representatives on the draft Foreign Assistance Act of 1967 (with hearings before the Appropriations and Foreign Affairs Committees), as yet, no Senate committee had addressed proposed legislation on

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<sup>51</sup>/ U.S. Congress, Senate, Arms Sales to Near East and South Asian Countries, p. 23.



foreign assistance. 52

Had Hollywood's central casting been asked to provide "one arms merchant -- 1960's style" for a motion picture role, they would probably have closely approximated Mr. Samuel Cummings. Forty years old at the time of this hearing, Mr. Cummings had been born in Philadelphia, educated in the United States, and had served briefly in the U.S. Army towards the end of World War II. Now, in 1967, Mr. Cummings was a resident of Monaco and was the president and principal stockholder of a corporation of some seventeen companies located throughout most of the Western and nonaligned world (he was also the sole owner of two wholesale - retail firearms companies which operated exclusively within the United States -- one of them on a mail-order basis). Asked to describe the business of his corporation, he said,

We trade in all fields of armament, although our specialty is light armament, let us say, weapons up to 20 millimeter. In those, in that field, I can

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52/ The Administrator of the Agency for International Development had, according to established procedure, submitted the draft Foreign Assistance Act of 1967 (which included, as Part II, the provisions covering the U.S. Military Assistance Program) to both the Senate and the House on February 23, 1967. Commencement of hearings in the House of Representatives began in a timely way -- the Appropriations Committee began on March 20, and the Foreign Affairs Committee on April 4. Senate action, however, was not so timely. The Foreign Relations Committee did not formally acknowledge the draft legislation until May 25 (when it became S. 1872), and did not begin hearings until June 12. The Senate Appropriations Committee began its hearings on November 14, 1967.



say that we are, I believe, unquestionably the largest traders in the world as we have very substantial depots in the United States and the United Kingdom.

In heavy weapons, we deal primarily as brokers acting for selling governments, since no one really handles heavy weapons as a principal, other than governments themselves, owing to the physical impossibility in dealing with such material.<sup>53</sup>

Senator Symington was still interested in the F-86 jet fighters which had somehow found their way to Pakistan despite an avowed U. S. embargo on lethal weapons for that country. He asked Mr. Cummings if he knew anything about that transaction.

MR. CUMMINGS. I knew about it.

SENATOR SYMINGTON. You had no connection with it?

MR. CUMMINGS. I had no connection with it, although it was common knowledge in Europe at the time of that transaction that the material was not for Iran, but for Pakistan. /Italics supplied./

SENATOR SYMINGTON. It was common knowledge?

MR. CUMMINGS. It was common knowledge.

SENATOR SYMINGTON. That is interesting.

MR. CUMMINGS. Those aircraft were flown by Luftwaffe /German Air Force/ pilots in civilian uniforms to Iran, to an airbase I really do not know the name, it is somewhere in the eastern part of Iran, and then, they were flown from there to Pakistan. . . .

As far as Pakistan goes, as you know, immediately after, and even during the Pakistan - Indian conflict,

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<sup>53/</sup> U. S. Congress, Senate, Arms Sales to Near East and South Asian Countries, pp. 25-26.





[the Kashmir War of 1965] there was a United Nations declaration that neither side should be supported, to which everyone agreed.

Shortly after that conflict ended, the Pakistanis sent an Iranian mission to Europe headed by a high ranking Iranian general by the name of Toufanian, whose job was to purchase rather substantial quantities of material for Pakistan of heavier type, most of which had been lost in the fighting, tanks, tank parts, a lot of artillery ammunition, and some naval equipment.

The Pakistanis chose Toufanian, or chose the Iranian general, he was picked by the Shah, we were told, because they thought, correctly at that time, that they would have difficulty in buying, themselves, directly.

SENATOR SYMINGTON. The German Government must have known what was going on if the pilots were flying the planes.

MR. CUMMINGS. I would not speak for the German Government but my educated guess would be that they did.

SENATOR SYMINGTON. So really it was a way of getting around an agreement we made and announced to the American people about not selling arms to Pakistan or India?

MR. CUMMINGS. You could say that. 54

Discovering that Mr. Cummings was a mine of information on arms sales, Senator Symington pressed him for more details.

SENATOR SYMINGTON. If the Germans were operating independently of what our stated position was with respect to Pakistan and India, assuming that they were ... why would they do it [conclude the F-86 transaction] through Merex instead of direct?

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54/ U. S. Congress, Senate, Arms Sales to Near East and South Asian Countries, pp. 28-29. Contrast this information with the testimony of Mr. Kuss, to the effect that the United States had been ignorant of the transaction and that Germany had "protested" to Iran about the ultimate delivery of the aircraft to Pakistan. The United States intelligence community might have done well to have enlisted Mr. Cummings!



MR. CUMMINGS. I think for two reasons: first, if they did it through Merex, they could claim at least ostensibly that they were only selling to Merex, and Merex was only selling to Iran. Second, in order not to incur the wrath of India, they would have had an advantage in not dealing directly.

SENATOR SYMINGTON. But it would have become known pretty quickly by India, would it not?

MR. CUMMINGS. In my view, yes because it is very difficult to really conceal substantial arms movements anywhere in the world, Senator. Small arms, light weapons, yes but heavy material, virtually impossible. /Italics supplied/ 55

During the previous hearing of this subcommittee, Dr. Bader had inquired of Mr. Kuss concerning tanks which might have followed the same route -- Germany to Iran to Pakistan -- as the F-86's. Mr. Kuss had replied in the negative. Now Dr. Bader had information about a sale of tanks by one Levy Auto Parts Company to the Iranian Government. The signature on the sales contract, according to Dr. Bader, being that of General Toufanian. Mr. Cummings was able to provide additional information for the subcommittee.

MR. CUMMINGS. Levy Bros. are Canadian, as far as I know, and they are based in Toronto with other places in Canada. . . . They are one of the people who are presently bidding in Pakistan to sell the

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55/ U.S. Congress, Senate, Arms Sales to Near East and South Asian Countries, p. 30. It is interesting that "unquestionably the largest trader in the world" of small arms would volunteer this fact -- with its possibly sinister implications.



surplus German armored fighting vehicles to Pakistan, either directly or through Toufanian.

At the present time, there exists a minimum of three contracts between Toufanian and suppliers in the West for the furnishing of these armored fighting vehicles to Pakistan from Germany. I would say there exists at least three contracts we know of, having seen the actual documents in one place or another in my normal travels. One is Levy Bros., one is Merex, and one is with or through a Pakistani whose name is Hamid Khan.

SENATOR SYMINGTON. These are all three for armored vehicles?

MR. CUMMINGS. These are all three for armored vehicles.<sup>56</sup>

One might ask, why was Mr. Cummings, a prominent arms merchant, so cooperative and so candid with this subcommittee? Was he not aware of the growing sensitivity of the Congress to arms sales and to the uncontrolled spread of arms to developing countries? Was he not concerned that an alarmed Congress might move to dry up his sources of arms or somehow curtail his business activities? Apparently, he was not. Once having described for the Senators the activities of the German Merex company, the Canadian Levy Brothers, and other arms merchants -- all "foreign" and all his competitors -- Mr. Cummings revealed his real motive for providing testimony for the subcommittee.

MR. CUMMINGS. Our position relative to the sale of surplus German armored vehicles to Pakistan

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<sup>56</sup>/ U.S. Congress, Senate, Arms Sales to Near East and South Asian Countries, p. 31.





in that is that we have directed last month a letter to the Department of State asking them for a policy which, if favorable, we believe we could move in and take that business for a number of reasons. . . .  
/Italics supplied./

SENATOR SYMINGTON. Do you expect to get a part of that business?

MR. CUMMINGS. I have a meeting with Assistant Secretary of State for Politico-Military Affairs/ Kitchen tomorrow, with many, many problems, because we have coordinations necessary all over the world. One of them is, of course, this letter and, of course, this pending Pakistan, so-called, Iranian business. As a commercial organization we naturally would like to secure that business.  
/Italics supplied./

SENATOR SYMINGTON. Sure.<sup>57</sup>

The president of Interarmco went on to explain some of the operational difficulties in competing with foreign arms merchants -- particularly in connection with the Department of State.

MR. CUMMINGS. . . . we always direct such a policy letter to the Department, and we do not move unless we get an affirmative which, I might say, has lost us untold amounts of business for usually the lack of an answer, rather than a negative answer.

You cannot imagine how difficult it is to get them to give us any policy, even verbal. I can recognize they may not want to write down a clearance, but even a verbal policy is good enough for us. /Italics supplied./ 58

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<sup>57/</sup> U.S. Congress, Senate, Arms Sales to Near East and South Asian Countries, p. 32.

<sup>58/</sup> Ibid., p. 32.





Having heard high administration officials testify repeatedly as to the exhaustive policy control procedures connected with all arms sales (with decisions made at the Secretarial -- or even the Presidential -- level), this evidence of offhand and haphazard supervision of the world's largest arms trading corporation must have come as something of a shock to the Senators. There were further shocks on the way. Returning to the subject of the rearming of Pakistan;

MR. CUMMINGS. It seems difficult for me to believe that the very considerable transactions which took place primarily last year between Germany and Iran and Pakistan, by implication, were totally ignored by the United States or that the United States pressured the Germans at all.

I had the impression when that business was going on or being primarily developed, which was in the fall and winter of 1965-66, because it was well-known on the continent, . . . it seemed to me that the United States was almost indifferent to what happened to the material because, for instance, there were thousands of rounds of tank gun and artillery ammunition which were shipped out of Germany and France to Iran for Pakistan. [Deleted.] All of that material was U. S. standard material or even U. S. - produced material, and there was no licensing problem experienced by Merex. [Deleted.] [Italics supplied.]

SENATOR SYMINGTON. Where was it going? [Italics supplied.]

MR. CUMMINGS. That went to Pakistan also. [Italics supplied.] 59

For a businessman whose livelihood seemed to depend upon arms



sales, Mr. Cummings apparently felt secure enough to display a wide streak of cynicism when questioned about the motives of the United States Government in encouraging certain arms sales. On the subject of balancing the forces of potential belligerents, he felt particularly cynical.

MR. CUMMINGS. I know of the theoretical desire for the American Government to balance material. In my personal opinion that is a total mirage and illusion, and it can never be done as long as there are two forces in the world who do not have similar policies in every case, the United States and the U. S. S. R. and the mere fact that the United States tries, that will encourage the U. S. S. R. to just put the thumb on the balance to throw it out of kilter, which is what happens, as you know, everywhere in the world. . . .

SENATOR SYMINGTON. . . . what you are really telling us is that, in our efforts to sell these arms on a balancing basis, what we are really doing is promoting the arms race with the Russians.

MR. CUMMINGS. Yes, yes, I would say it is a very fair estimate of the situation. But what solution is there?

SENATOR SYMINGTON. We are not looking at this time for solutions. All we are looking for is truth. Solutions can only come after the truth is known.

MR. CUMMINGS. Right.<sup>60</sup>

If the president of Interarmco had not made his motive for testifying clear enough already, he underlined his displeasure with

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<sup>60/</sup> U. S. Congress, Senate, Arms Sales to Near East and South Asian Countries, pp. 35-36.



the bureaucracy (which he felt was unjustly hampering his business) in stronger terms towards the end of his testimony.

MR. CUMMINGS. It drives my Scotch-Irish nature crazy to see this trading going on through every nogoodnik and his brother, which we would not be able to do, and which we could do if we could get an accord from our country. It is our own material. . . . We can never receive permission to do anything from the Department of Defense. We technically have to go through the Department of State. That is the Office [the Munitions Control Office] we must report to.

However, our experience over many years has been that we just cannot get a policy out of the Department of State while the rest of the world is busy wheeling and dealing and operating . . . . with our Government, and I hate to admit it, it is sometimes pitiful.<sup>61</sup>

Despite his envy of his "nogoodnik" competitors, Mr. Cummings did want to show the Senators that he was not hopelessly beyond redemption. Responding to a question from Senator Fulbright regarding the arms sales dilemma, he philosophized,

It is almost like a perpetual motion machine, we all agree that the arms race is disaster, and we all agree that it could lead to an ultimate conflict which would more or less destroy the civilized world as we know it. The old problem is, who is going to take the first move to pull

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<sup>61</sup>/ U.S. Congress, Senate, Arms Sales to Near East and South Asian Countries, pp. 40-41.





back?<sup>62</sup>

Senator Fulbright replied by phrasing his own quandry, and possibly that of many members of the Congress at that time;

It seems to me this country ought to be taking some kind of meaningful step in this direction. We are given a lot of propaganda up here that we all do not believe, but we do not know quite how to combat it. We are having hearings like this, because we do not know what to do about it.<sup>63</sup>

One week later, On April 20, 1967, Senator Symington's subcommittee met again -- this time to hear testimony from Mr. Townsend W. Hoopes, the Principal Deputy Assistant Secretary of Defense for International Security Affairs (and Mr. McNaughton's immediate subordinate). The focus of questioning on this occasion was United States military assistance to India and Pakistan.

Mr. Hoopes presented to the subcommittee an opening statement which surveyed the history of application of the Military Assistance Program to the subcontinent. Grant aid military equipment had been provided to Pakistan after that nation was incorporated into the American

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<sup>62/</sup> U.S. Congress, Senate, Arms Sales to Near East and South Asian Countries, p. 45. Questioned as to why Mr. Cummings had been requested to testify and what his motives may have been, Mr. Bader has stated, "Both Symington and I were intrigued by a number of articles on Cummings and I lived in Alexandria (home of Interarmco). This is an example -- in all candor -- of how decisions are often made about witnesses. After listening to Cummings I can believe that he really enjoyed the idea of testifying, and, more importantly, putting the " 'commander' to some of his competitors." Bader letter, November 2nd, 1971, p. 2.

<sup>63/</sup> Ibid., p. 46.



system of alliances (in this case, SEATO), in 1954. Grant aid military equipment had been provided to India after the Communist Chinese limited invasion along India's Himalayan frontier in 1962. Deliveries to both countries were suspended in September 1965, implementing an arms embargo during the Kashmir War. By that time, India had received \$83 million of United States military equipment and Pakistan had received \$730 million. The embargo was partially lifted in February 1966, when President Johnson permitted both countries to purchase for cash or credit so-called nonlethal spare parts. Such purchases were to be made subject to case-by-case review. Because Pakistan's military equipment was almost totally of United States origin and because that country's economic resources were smaller than those of India, the embargo had much greater impact on Pakistan -- and Pakistan was infinitely more dependent upon the United States as a source of spare parts. In order to reduce this dependancy, Pakistan had turned to Communist China as an alternative supplier of military equipment. India had, of course, been receiving a steady supply of arms from the Soviet Union, and, to a lesser extent, from the United Kingdom.

In April 1967, two weeks prior to Mr. Hoopes' appearance before the subcommittee, the administration had made certain adjustments in its policy towards both India and Pakistan. These adjustments included:

- a. Explicit termination of all equipment assistance on a grant basis to both countries; this had been suspended in 1965.



b. Withdrawal of the military advisory groups from both countries; some form of limited military representation to handle small scale military equipment sales would be substituted.

c. Resumption of grant training programs for both Indian and Pakistani officers in the United States.

d. Cash sales of spare parts for previously supplied lethal equipment; such sales to be considered on a case-by-case basis. Criteria established for determination of each case were; critical need, contribution to reduced military expenditure or arms limitation, and, contribution to a reasonable military stability within the sub-continent.

Mr. Hoopes admitted in his opening statement that "probably no fully satisfactory policy of arms supply toward the subcontinent exists today,"<sup>64</sup> however, the United States Government had felt it necessary to respond to the following factors:

a. Both India and Pakistan were determined to have modern arms at levels "that relate to their sovereign judgement of need."<sup>65</sup>

b. The United States could not prevent either country from acquiring the arms which they desired, nor impose any view as to the proper levels or composition.

c. The United States policy of total arms suspension was dissipating American influence in the subcontinent and was encouraging the introduction of counter-influence from the communist powers.

These factors, according to Mr. Hoopes, were "destabilizing and

<sup>64/</sup> U.S. Congress, Senate, Arms Sales to Near East and South Asian Countries, p. 51.

<sup>65/</sup> Ibid., p. 51.





their cumulative effect could produce an uncontrolled arms race,"<sup>66</sup> The new policy would, it was hoped, provide the United States with a limited leverage with respect to inducing arms restraint.

If any of the Senators who heard this statement were impressed by the irony of this policy vis-a-vis Pakistan, they didn't move to insert it into the record of the hearings. It does seem, nonetheless remarkable that the United States, which had initially supplied arms to Pakistan at least ostensibly for use against the communists now must continue to supply arms to Pakistan (after that country had demonstrated its real purpose for desiring arms -- to make war with India) in order to restrain that country from accepting arms from Communist China. As the spring of 1967 turned to summer, more and more members of the Congress would come to feel that such a policy was completely bankrupt and obviously counter-productive, especially when its effect on India was contemplated. One Senator, John Sherman Cooper (R - Ky.), however, was prepared to draw at least one conclusion from the administration's new policy.

SENATOR COOPER. Their fear of each other is much greater than their fear of Russia or China or anybody else. It is an obsession both in Pakistan and in India, but I think we will be charged with -- I don't think this applies to India at all because they haven't got enough of our equipment to make it reasonable to buy parts -- activating the Pakistani Army. *Italics supplied.*<sup>7</sup>

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<sup>66/</sup> U.S. Congress, Senate, Arms Sales to Near East and South Asian Countries, p. 51.





MR. HOOPES. I think it depends on how we apply our policy. This is an entirely possible consequence. On the other hand, if we are to head off a major increase in Pakistani arms expenditures, which would in turn cause India to run up further expenditures, we have at least the possibility of persuading them to act with restraint, and therefore gain a measure of stability and arms restraint between the two countries. That is the essential purpose of this [deleted] effort. 67

Senator McCarthy, who was present at this hearing questioned Mr. Hoopes as to the size of the Military Assistance Advisory Groups which were to be withdrawn from India and Pakistan and replaced with smaller military representation. He received the reply that there were 17 in Pakistan and 13 in India and he commented that it would be difficult to get much smaller. Although the Senator did not press the point, it was now becoming evident that most of the new policy, while couched in terms indicating United States restraint in providing military assistance to the subcontinent, was neither new nor really indicative of restraint. "Explicit termination" of equipment provided on a grant basis had little meaning since no such equipment had, in fact, been provided since the Kashmir War. "Withdrawal of the military advisory groups" lost its impact when it was realized that any substitution for those groups could hardly be smaller in size. Even the "resumption of grant training programs" really was irrelevant since officers who were already in school in September 1965 were allowed



to finish their courses -- any gap in this form of assistance, therefore had only been of short duration. The salient feature of the new policy was, then, the decision to sell spare parts for previously supplied lethal equipment. Since such equipment had gone predominantly to Pakistan, the only serious effect of the new policy would be to allow Pakistan to rebuild their armed forces, which had been grievously mauled by the Indians in 1965. Further, because sales of spare parts could be made either for cash or credit, this rebuilding process could be undertaken with the help of generous loans made through the Export-Import Bank (under the country - X arrangements, if necessary) and secured by the Department of Defense Military Assistance Credit Account. It is not too difficult to imagine how Senators and others would begin to question the legitimacy of this facet of the Military Assistance Program

The one-sided nature of this new policy (biased in favor of Pakistan) interested Senator Symington.

SENATOR SYMINGTON. What has Pakistan asked for under this new policy?

MR. HOOPES. . . . they have dispatched lists of requests. We have not yet received them, nor, of course, acted on them.

SENATOR SYMINGTON. Has India asked for anything?

MR. HOOPES. Not to my knowledge, sir.<sup>68</sup>

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<sup>68/</sup> U.S. Congress, Senate, Arms Sales to Near East and South Asian Countries, p. 61.



The Senator was also interested in the criteria which the administration had cited for approval of sales under the new policy. He quoted Secretary McNamara to the effect that, "We will not ask a foreign country to buy anything which in its judgement or in ours is not needed for its armed forces."

SENATOR SYMINGTON. Do you believe that Pakistan needs this equipment?

MR. HOOPES. I think the key point is, sir, that Pakistan believes it needs to modernize its military forces, or at least to reactivate those pieces of equipment it now possesses. I think that is the acid test. Pakistan cites a need. They wish to buy American spares. [Deleted]

SENATOR SYMINGTON. Why? They are afraid of whom?

MR. HOOPES. They are primarily afraid of India.

SENATOR SYMINGTON. Is there any evidence the State Department has or the Department of Defense, that India is planning a further attack on Pakistan?

MR. HOOPES. I think the answer is clearly no.<sup>69</sup>

The rationale for renewed military assistance (via spare parts sales) to Pakistan could not be, then, a requirement for defense against Indian aggression, since it was likely that none was forthcoming; nor could it be a valid requirement for defense against Communist Chinese aggression, since the Communist Chinese had, themselves, undertaken

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<sup>69/</sup> U.S. Congress, Senate, Arms Sales to Near East and South Asian Countries, p. 62.





to supply Pakistan with military equipment. There only remained the goal of buying continued United States influence -- and, thereby, forestalling further Chinese influence -- in Pakistan. Whether such influence could restrain Pakistan from excessive military procurement, from exacerbating the tensions with its neighbors, India, or even from ultimately carrying out some form of aggression towards India would be problematical.

By so extending the basis for the United States Military Assistance Program (to include the purchase of influence) the administration had disfigured the essential rationale for the program and had, unwittingly it seems, seriously weakened its underpinnings. The Military Assistance Program had been born out of fear of Soviet aggression in Europe. The Congress had, for over twenty years, appropriated literally billions of dollars to provide military equipment for those countries which would assist the United States in combating that menace. Throughout that period, the communist military threat had been more or less demonstrable (and had grown to include the Asian theater) and there had been little objection to raising the funds required to offset it. Extending the rationale for military assistance to include quid pro quo payment for the use of foreign bases (overtly in the cases of Spain, Libya, and Portugal and covertly elsewhere, as perhaps, in Pakistan) had not been difficult to justify in terms of military necessity and seemed businesslike enough to satisfy most members of the Congress. Even stretching the rationale to cover military assistance to the countries



of Latin America in the name of "internal security" had proven acceptable (although less so). The Administration had only to point to Cuba and Castro's threat to export communism. Now, however, it would appear that the administration had finally so convoluted its military assistance philosophy that it would ask the Congress to support military equipment expenditures, through grants and sales, to countries which were also receiving military equipment from the communist powers. If the administration, in the conduct of its increasingly sophisticated foreign policy, had forgotten that a very unsophisticated anti-communism was the real keystone of congressional support for the Military Assistance Program, it would be brought to their attention, dramatically, in 1967.

Senator Symington found the new concept difficult to grasp and wanted it stated explicitly.

SENATOR SYMINGTON. Have we now put ourselves in the position of being a cosupplier of military equipment to a country receiving Communist military aid?

MR. HOOPES. In the case of India that is true, sir. That has been true for some years.

SENATOR SYMINGTON. Pakistan also?

MR. HOOPES. Yes.

SENATOR SYMINGTON. So in the case of Iran, Pakistan, and India, we are supplying arms, and the Communists are supplying arms.  
/Italics supplied./



MR. HOOPES. Yes sir; that is true. [Italics supplied.]<sup>70</sup>

If this new aspect of military assistance policy upset Senator Symington, he was equally upset (at least at this stage) by the fact that the Congress had had to drag pertinent information out of the administration. He chided Mr. Hoopes as he had other officials.

SENATOR SYMINGTON. ... there has been practically no knowledge about these programs. Our colleague, Senator Gore, started hearings some weeks ago, on the question of arms sales and disarmament; then we continued, with the approval of the chairman, Senator Fulbright. ... As chairman of the Mid East-South Asian Subcommittee, and a member of the Armed Services Committee I am a little embarrassed when I read in the newspapers that an airplane made in my own State has been sold to Iran in quantity when people from my State called up and asked if it was true, I give them the truthful answer "I don't know." Then I check, and find it is true. It seems in this case you are all establishing high standards for not letting the Congress know before the press.<sup>71</sup>

A vote on the Senate floor interrupted the hearing and further interrogation of Mr. Hoopes was postponed until April 25. At his second appearance before the subcommittee Mr. Hoopes was treated to some additional chiding.

SENATOR SYMINGTON. Now we continue this balancing act, balancing arms in theory between the various

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<sup>70</sup>/ U.S. Congress, Senate, Arms Sales to Near East and South Asian Countries, p. 62.

<sup>71</sup>/ Ibid., pp. 63-64.





countries; example, Pakistan - India. Apparently the idea is to keep things sort of on an even scale, perhaps tilting a little bit toward those countries who, at the time, we consider our friends. ...

In any case, what worries me is the extent to which this whole arms program has been under the rug, so far as the Congress is concerned. I do not mean to be redundant, but mentioned that the first knowledge we had on the Foreign Relations Committee or the Armed Services Committee, of the sale of sophisticated planes to Iran, was when we read about it in the press.

This, in effect, such sales, formulate foreign policy. In such cases, if there is no "advice and consent," what is the use of having us here? ... I realize the position of the Congress is not respected by some in the administration ... . Some agree, give us a pleasant grin, and do as they please.

This is either going to stop or there is going to be a lot more said about it. We want to know. When you set foreign policy through the sale or grant of arms, we believe the appropriate Senate committees have the right to know the details before it is detailed in the public press, and the reasons for each major decision. *[Italics supplied.]*<sup>72</sup>

Mr. Hoopes did not challenge Senator Symington's thesis that arms sales formulate foreign policy, nor did he challenge the Senator's surmise that the administration might "tilt" the arms balance from time to time in favor of countries which could be described as friends of the United States. The Senator's apparent displeasure with the administration's handling of the Military Assistance Program had probably flashed a warning signal to the Defense Department official, causing him to opt for silence. Nevertheless, the question of whether or not the making of arms sales (or granting of arms, for that matter)

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<sup>72/</sup> U. S. Congress, Senate, Arms Sales to Near East and South Asian Countries, p. 79.





constituted the formulation of foreign policy was really the key to the whole maze through which both the administration and the Congress would flounder for the rest of that year and beyond.

Should the administration establish a piece of foreign policy, together with the "advice and consent" of the Congress -- as Senator Symington had put it -- then the implementation of that policy could seemingly be left in the hands of the executive branch. Suppose, however, that the process of implementation, itself, spawned new foreign policy; would it not then be proper for the executive branch to return, at each step, to the legislative branch for additional advice and consent? Surely, the legislative branch should at least be informed of the birth of each new sub-piece of foreign policy. The record indicates that this was Senator Symington's train of thought vis-a-vis the Military Assistance Program. The Congress had worked closely with the administration at the program's inception, thus fulfilling its traditional share of the responsibility for United States foreign policy. Since that time, however, the opinion of the legislative branch had been less and less sought after by those whose duty it was to implement the program. Experience (or his advisers) seems to have taught Senator Symington that the dispensation of arms, whether through grants or sales, brought about different results than the dispensation of food or other types of aid. Food and development funds and the like were usually consumed by the recipients at no expense to their neighbors. Arms, on the other hand, could be said



to bring with them not only the power to change the relationships between recipients and their neighbors, but also the power to change the nature of the recipients themselves. The bringing about of these kinds of changes could be construed to be the making of foreign policy; thus, each decision by the administration to grant, or to sell, or to withhold arms would amount to creating new policy, separate and distinct from the original policy in which the Congress had collaborated. The granting of arms under the Military Assistance Program had been taking place on such a scale and for so many years that congressional scrutiny had become routine. The system was such that few grants, if any, could escape the attention of interested members of the Congress. The sale of arms, however, was different; it added a new and, as yet, unscrutinized dimension to the program. In its conduct of arms sales the administration had obviously not returned at each step for additional advice and consent -- worse yet, it seems to have taken the Congress completely by surprise.

If the administration disagreed with the thesis that arms sales formulated foreign policy, Mr. Hoopes did not articulate that disagreement; nor would the administration's position on that crucial point find articulation in any of the testimony at any of the hearings which were to take place that year.

Although he had been handled at least as roughly as any administration official who had appeared before the Congress thus far that year, Mr. Hoopes was not yet to be allowed to retreat across the



Potomac. Before the day's hearing was adjourned, Dr. Bader was given leave to question Mr. Hoopes on the subject of the resale of United States military equipment by its original recipients. The Defense Department official had earlier touched on the potential problem of excess and obsolescent equipment in the arsenals of America's allies.

MR. HOOPES. We think that in the case not only of Germany /deleted/ there will be large quantities of American excess that those countries will want to try to move onto the market. We are trying to achieve a comprehensive solution to this problem which may involve at some time a request to the Congress. I am speaking tentatively, but it seems to those of us who have examined the question in the Pentagon that, in order to prevent the large-scale transfer of this kind of equipment, we may have to provide some kind of inducement to these countries -- /Deleted/

SENATOR SYMINGTON. What inducement could we give /deleted/ today?

MR. HOOPES. It would be, perhaps, some kind of /deleted/ inducement to scrap the equipment when it becomes excess to their needs, so that there would be no incentive to sell it to Africa or Latin America, for example.

SENATOR SYMINGTON. You mean the United States would pay for scrapping equipment that otherwise somebody would pay them for around the world?/Italics supplied./

MR. HOOPES. That is the essence of my suggestion, sir, and I understand the implications./Italics supplied./

SENATOR SYMINGTON. So do I. ... I think /deleted/ /it/ would be awfully difficult for me to convince the people of Missouri, that after we had given and lent /deleted/ more than any other country in the world bar none, we would pay them not to sell





equipment. [Italics supplied.]<sup>73</sup>

Now Dr. Bader wanted to begin to define the magnitude of this resale problem -- perhaps in an effort to better grasp the level of inducements which might become necessary in order to deter undesirable resales. He focused on some of the major items included in the so-called Nash List (all material and services furnished to West Germany between 1954 and 1959 -- the reversionary rights to which were sold to the West German Government in 1962 for the estimated scrap value of \$75 million).

MR. BADER. ... the last time we were here [the hearing of April 20/ we talked about a contract between the Levy Auto Parts Co. and the Iranian Government for the sale of 60 M-47 tanks fully tracked, A-1 condition. These tank prices per unit were \$32,000. ...

There is no way of knowing where these tanks came from. My guess would be that they are tanks that are now in West Germany, and the Levy Auto Parts Co. is acting as a broker. ...

Have you been able to discover any additional information about this contract as to where these tanks are and whether they are a part of a sales agreement between the Iranian Government and the Levy Auto Parts Co., Mr. Hoopes?

MR. HOOPES. I have not, Mr. Counsel, But I will have it very shortly.

(The following information was subsequently submitted for the record:)

The original cost to the United States of 600 M-47 tanks provided to the FRG [Federal Republic of Germany] was approximately \$201,000 each,



including spares, or about \$121 million total. Since these tanks were provided as grant aid, there was no sales price to Germany. However, on the basis of the 7-1/2% of cost formula which applied to the 1962 agreement for the sale of reversionary rights, the FRG investment in those tanks, at the time of the purchase of those rights, would be about \$9 million.

For further information on the Levy Auto Parts contract see the following question.

Question. What information can Defense provide on the Levy Auto Parts contracts with Iran (on M-47 tanks and tank spares)?

Answer. [Deleted.]<sup>74</sup>

Aside from the revelation that West Germany had purchased 600 tanks, presumed to have been in excellent condition at the time, for a scrap value of only \$15,000 each (\$9 million divided by 600), this portion of Mr. Hoopes' testimony is intriguing because of the answer which the administration chose to delete prior to release of the record to the public. Had there been no contract, or contracts, or had Dr. Bader's probe otherwise missed the mark entirely, it would seem logical that the Defense Department would have been eager to set the record straight. Having already noted the recondite characteristics surrounding West Germany's sale of those elusive F-86's, a reader might be forgiven for drawing the conclusion that the administration had deleted a response confirming Dr. Bader's guesswork. If the subcommittee consultant had indeed guessed correctly, the Levy Auto Parts Company, acting as broker, would obtain a profit of some \$17,000

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<sup>74</sup>/ U.S. Congress, Senate, Arms Sales to Near East and South Asian Countries, p. 81.



(\$32, 000 minus \$15, 000) on each tank for the West Germany Government -- a margin that certainly afforded considerable temptation to resell excess and obsolescent military equipment of United States origin. Any monetary inducement that might come to be offered to American allies in order to offset this temptation would bound to be very expensive. By promising to answer Dr. Bader through the subsequent submission of information, Mr. Hoopes was allowed to conclude his testimony without being drawn into further discussion of this potentially dangerous subject.

Nearly two months elapsed before the Near Eastern and South Asian Affairs Subcommittee reconvened to hear its last witness, Mr. Jeffrey C. Kitchen, the Deputy Assistant Secretary of State for Politico-Military Affairs. By June 22, 1967, when Mr. Kitchen made his appearance, the June 1967 Arab-Israeli War had begun and ended. Whatever tilting the United States might have done while balancing arms postures in the Middle East seemed to have been in favor of Israel. The war had drawn much attention to the issue of military assistance and had made Senator Symington and many other members of the Congress even more anxious to look deeper into the problem of formulating foreign policy through the grants and sales of arms.<sup>75</sup>

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<sup>75/</sup> One member of the Congress who was particularly aroused was Senator Frank Church (D. - Idaho), who delivered a long speech on the floor of the Senate entitled, "Arsenal Diplomacy: The Failure of a policy," (see U S. , Congressional Record, 90th Congress, 1st session, Vol. 113 pt. 3, (June 26, 1967), pp. 17305-17310.) which cited the June War as an illustration of "the bitter fruits of our arms





Mr. Kitchen was responsible for the Office of Munitions Control within the Department of State and had been associated with that office since 1963. It was this office which actually issued export licenses for all arms sales of United States military equipment. In coordinating these arms sales, Mr. Kitchen dealt primarily with Mr. Kuss in the Department of Defense; in matters of policy development (such as the policy vis-a-vis India and Pakistan, announced in April 1967), he dealt with Mr. Hoopes.

Previous testimony, particularly that of Mr. Hoopes concerning possible inducements to deter resales of military equipment of United States origin, had shed considerable doubt on the efficacy of end-use agreements. A serious example of such an agreement that seemed not to have been observed was the resale of the F-86's, at least some of which ultimately appeared in Pakistan. Senator Symington was still alarmed about that transaction (and with the Middle East example fresh in his mind, was probably more than ever interested in defusing arms induced tensions in the subcontinent before they could erupt into warfare); he queried Mr. Kitchen.

SENATOR SYMINGTON. . . . the subcommittee has been told that there was no doubt within the intelligence

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aid policies in the Middle East." Senator Church decried, "Fueling regional arms racer motivated more by ancient rivalries than by any shared concern over the threat of Communist aggression" and recommended that "the giveaway arms program should be drastically curtailed."





community that the F-86's in question were going to Pakistan, and reports to this effect were circulated before the aircraft left Germany. Did you see those reports? [Deleted] Did you approve of their sales to Pakistan?

MR. KITCHEN. I was involved in securing the Bureau's approval of the sale. I concurred in the sale --

SENATOR SYMINGTON. What Bureau?

MR. KITCHEN. The Bureau of Near Eastern and South Asian Affairs [of the Department of State].

I think it filled a proper need at that time as far as the Iranians were concerned. They had F-86 aircraft in their inventory: thus the sale was complementary to an existing system.

SENATOR SYMINGTON. Did you approve of them going to Pakistan?

MR. KITCHEN. No. I felt that if they were going to Pakistan they were going in contravention of U.S. wishes at that time. The first reports we saw on that, Senator, were that the aircraft had been sighted in Pakistan, and the question of numbers was never clear, the question of markings on the aircraft was never definitive. The aircraft observed in Pakistan were subsequently observed back in Iran. It was not a clear picture in the early phases.

SENATOR SYMINGTON. Well, may I repeat, it was clear to them [presumably, the "intelligence community"] they were going to Pakistan. . . . when we found out they had gone, did we make any protest to Iran, or to Pakistan?

MR. KITCHEN. Well, as far as Iran is concerned, the degree of protest was confined to inquires as to whether when they gave the certification that the aircraft were to be used in Iran, whether or not this really constituted Iranian Government policy. There was never, to my knowledge, an approach to the Shah. . . .

At the time of the transaction, the Canadians were the ones who decided that they could accept the Iranian bona fide that there would not be a further retransfer



of the aircraft, although they did consult with the U. S. Government. We told them that they had to make a decision with regard to whether or not this was a bona fide Iranian undertaking or not, and the Canadian Government subsequently did accept that. Italics supplied. 7 76

It is fair to say that one portion of the Department of State's responsibility in the conduct of foreign policy would be the maintenance of a watch on the implementation of that policy. It would also be fair to expect that, should there be even a hint that the policy was about to be subverted, the Department would exert powerful efforts to prevent that subversion. In giving this account of his own stewardship, Mr. Kitchen virtually admitted that the United States (specifically, his department) had washed its hands of the F-86 decision in favor of Canada, and then, after United States foreign policy had, apparently, been outflanked, had never insisted on reproving the head of the government which had, perhaps, misrepresented its role in the transaction. If this was an example of the high level decision making process of which Mr. McNaughton, Mr. Kuss, and others had spoken with esteem, Senator Symington's alarm may well have been justified.

Senator Frank J. Lausche (D - Ohio) was curious about the manner in which that process was organized.

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76/ U. S. Congress, Senate, Arms Sales to Near East and South Asian Countries, pp. 85-86.



SENATOR LAUSCHE. Are you the Chairman of the State - Defense Coordinating Committee? [This being the body wherein proposed arms sales were, according to Mr. McNaughton's testimony, subjected to a careful and thorough review.]

MR. KITCHEN. I am.

SENATOR LAUSCHE. How often do you meet?

MR. KITCHEN. We try to meet every Monday afternoon. We meet no less than three times a month.

SENATOR LAUSCHE. What agencies participate on a regular basis?

MR. KITCHEN. Primarily State and Defense. AID has been invited, ACDA [the Arms Control and Disarmament Agency/ now participates regularly. Anyone Else? /Italics supplied.]

MR. WOLF. [Joseph Wolf, the Director of Operations, Politico-Military Affairs Bureau, Department of State/ Treasury is invited on an open basis and comes sometimes. /Italics supplied.] 77

Above the State-Defense Coordinating Committee in the decision making hierarchy was the Senior Interdepartmental Group (SIG). This body was a second-echelon Cabinet; it was chaired by the Under Secretary of State and its regular members included the Deputy Secretary of Defense and the Chairman of the Joint Chiefs of Staff, as well as the number two men in the other executive departments and the heads of agencies such as AID, USIA, ACDA, the CIA, and the Bureau of the

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77/ U. S. Congress, Senate, Arms Sales to Near East and South Asian Countries, pp. 92-93.





Budget. Meetings were normally attended by at least one observer from the White House Staff. Decisions which this group did not feel competent to make were passed directly to the President. One of the main functions of the SIG was to resolve disputes between the executive departments and agencies where they pertained to foreign policy and overseas activities of the United States, short of warfare. The Cabinet members themselves were kept advised of the SIG's workings through their deputies and by means of decision memoranda which were circulated after each meeting. Mr. McNaughton had described this body as being very active in the determination of arms sales policy; now, Senator Symington wanted to know about that activity.

SENATOR SYMINGTON. On the record, has the Senior Interdepartmental Group met recently on military sales agreements?

MR. KITCHEN. No, sir; I do not believe it has.

SENATOR SYMINGTON. When was the last time it did meet on military sales agreements? Would you supply that for the record?

MR. KITCHEN. Yes.

(The following information was subsequently provided.)

The SIG met on February 14, 1967, to consider arms control measures, including the question of military sales, for India and Pakistan.<sup>78</sup>

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<sup>78</sup>/ U.S. Congress, Senate, Arms Sales to Near East and South Asian Countries, p. 94. The letters received by Senator Gore from the Administrator for AID and others (see Appendix I ) indicate that the SIG had nothing at all to do with some of the most recent and important arms sales.



Senator Symington next inquired about Department of State plans in the granting of country - X loans. Mr. Kitchen replied, "I am not familiar with that designation."<sup>79</sup> Dr. Bader was asked to describe the mechanism by which the Export-Import Bank participated in the financing of arms sales; frequently doing so with no knowledge of the identity of the recipient countries. After some discussion, Mr. Kitchen acknowledged that he could identify that procedure. Senator Symington then placed in the record the names of the countries which his staff had discovered to have been provided such country - X loans: Argentina, Brazil, Chile, China, India, Iran, Israel, Jordan, Malaysia, Morocco, Peru, Saudi Arabia, and Venezuela -- a total loan extension of \$526 million at that time.

Mr. Kitchen had indicated that his primary point of contact in the Department of Defense for arms sales transactions was Mr. Kuss. Senator Symington was interested in their relationship.

SENATOR SYMINGTON. Now, Mr. Henry Kuss, what is his title?

MR. KITCHEN. He is Deputy Assistant Secretary for -- what is his precise title? /Italics supplied./

MR. WOLF. Deputy Assistant Secretary for International Security Affairs for International Logistics Negotiations.

SENATOR SYMINGTON. Mr. Kuss told this committee, and I quote:

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<sup>79/</sup> U.S. Congress, Senate, Arms Sales to Near East and South Asian Countries, p. 94.



"From the military point of view, we stand to lose all of the major international relationships paid for with grant aid money unless we can establish professional military relationships through the sales media."

Is that the policy of the State Department?

MR. KITCHEN. No; it is too blanket a statement. I would say this, that where we did provide large amounts of aid, generally that was in accordance with policy which has continued. It does not carry the implication that we must necessarily continue sales or that we are in any way bound to continue them as far as the Department of State is concerned. Where this is to the advantage of the general relationship, then the State Department would be in favor.<sup>80</sup>

Granting the gist of Mr. Kitchen's statement to be "sometimes, yes -- sometimes, no," it may have come as some surprise to Senator Symington and his colleagues that two administration officials who professed to be in close touch in the arms sales decision making process were really in disagreement over basic policy. Further, the subcommittee could hardly have been impressed with Mr. Kitchen's hesitation as to the membership of his State - Defense Coordinating Committee, his lack of familiarity with the country - X loan program, or his ignorance of Mr. Kuss' title. The infrequency of SIG meetings on the subject of arms sales also said little for the administration's high level supervision of what was fast becoming a very controversial program.

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<sup>80/</sup> U.S. Congress, Senate, Arms Sales to Near East and South Asian Countries, p. 95.



The full Committee on Foreign Relations had, on June 12, commenced its hearings on the draft Foreign Assistance Act of 1967. The matter of arms sales would be considered as an integral part of the Military Assistance Program which, in turn, was part of that Act. Senator Symington's subcommittee -- and Senator Gore's subcommittee on disarmament had, by now, at least familiarized all of the committee members with every issue originally identified by Dr. Bader in his January 1967, staff study. Moreover, the subcommittee had, in a sense, scouted out the enemy; they had had an opportunity to meet and to interrogate those administration officials who seemed to have the most to do with arms sales and arms sales policy. True, the most senior administration officials, the heads of departments, had not been interrogated; this, however, would be the responsibility of the Senate Foreign Relations Committee and the House Foreign Affairs Committee when the members of the Cabinet would appear in support of the foreign assistance legislation for that year.

Senator Symington, it seems, had simply grown more perplexed as he had undergone his indoctrination into the ways of the arms sales business. Towards the conclusion of his subcommittee hearings, after some discussion on the resale of the F-86's. he remarked in exasperation to Mr. Kitchen,

We sell arms all over the free world in recognition of what we consider the menace of communism. ... Now, if we are going to say that we are going to control our arms sales in the free world, and





the Soviets find out that we are not controlling the sales of those arms whether it is the fault of our allies or the fault of ourselves, they will have all the bells to ring to say our word is not to be relied on. . . . [you] represent to the German Government that we are not happy about the way they have been handling this matter of arms sale and resale; but the horse has gone, the barn door was open, so our whole effort to control arms through agreements seems to be falling on its face, all over the world.<sup>81</sup>

If it had been Dr. Bader's intention to bring the whole issue of the administration's conduct of the Military Assistance Program, and, particularly the question of arms sales of U.S. military equipment to the attention of the Congress, he had certainly succeeded. His staff study, taken together with the hearings conducted by the Gore and Symington subcommittees (for both of which he was the consultant), assumes the aspects of a campaign. Before any hearings had been held on the Foreign Assistance Act of 1967 itself (or the Export-Import Bank Extension Act), and before the Cabinet members approached Capitol Hill to defend their economic and military assistance programs, Dr. Bader had established a definitive base from which foreign assistance could be attacked. Older and more experienced members of the legislature had frequently failed in attempts to restrain the Military Assistance Program or the foreign assistance effort as a whole for the lack of just such a base. Asked about his reaction to the impact

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<sup>81/</sup> U.S. Congress, Senate, Arms Sales to Near East and South Asian Countries, p. 97.



of his study, Dr. Bader modestly replied,

No-one involved had any idea that the study would draw so much attention and cause so much controversy. It was probably one of those cases where the staff study acted as the last drop of acid before the litmus turned.<sup>82</sup>

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82/ Bader letter, November 2nd, 1971, p. 1.



## CHAPTER IV

### RESTRAINT ON MILITARY ASSISTANCE -- HEARINGS ON THE FOREIGN ASSISTANCE ACT OF 1967

Congressional action on the Foreign Assistance Act of 1967 was generally in accordance with the established procedure for all legislation which required both authorization and appropriation. Like all laws which entail the expenditure of United States funds, each year's renewal of foreign assistance depends upon the passage of two separate pieces of legislation -- one authorizing expenditure and another appropriating the precise amount of that expenditure. Hence, the draft Foreign Assistance Act of 1967, which was delivered to the Congress by the Administrator for the Agency for International Development on February 23, 1967, took the form of two separate legislative bills.

Because the United States Congress is bicameral, bills are divided into two parts -- each part requiring hearings, a committee report, and a floor vote in the Senate, while the other part requires similar action in the House of Representatives. These parts normally begin as identical twins, but they frequently emerge from the independent actions of the Senate and the House in very dissimilar form.

Before the different versions can be sent to the President to be signed





into law the differences must be reconciled away. This reconciliation process is accomplished by conference committees, which are established ad hoc for this specific purpose and which are composed of members of both houses of the congress. After these conference committees have bargained, compromised, and massaged the different bills into mutually acceptable legislation they are returned to their respective congressional parents for final floor vote. This process routinely takes a few months. In the case of the Foreign Assistance Act of 1967, it took nearly a full year.

The House Committee on Appropriations initiated congressional action on March 20, 1967, when it began hearings on the Foreign Assistance and Related Agencies Appropriations Act for 1968 /fiscal year̄ (HR 13893). Two weeks later, on April 4, the House Committee on Foreign Affairs began its hearings on the Foreign Assistance Act of 1967 /the authorization bill̄ (HR 7099). Action in the Senate did not commence until June 12, when the Foreign Relations Committee heard its first testimony on its version of the authorization bill (S 1872). The Senate Committee on Appropriations did not hold hearings on the appropriations act passed by the House (HR 13893) until November 14, 1967.<sup>1</sup>

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1/ Article I, Section 7 of the Constitution provided that the House of Representatives alone would have the power to originate bills which would raise and distribute revenue. The House has traditionally taken this to include all appropriations bills; thus, the Foreign Assistance and Related Agencies Appropriations Act of 1968 was considered first by the House (as House Rule 13893). After passage by the House,



The Foreign Assistance Act, originally passed in 1961, and renewed with amendments each year since then, is comprised of three parts: Part I -- policy and authorization for economic assistance; Part II -- policy and authorization for military assistance; and Part III -- general administrative provisions for the implementation of the act. The Foreign Assistance and Related Agencies Appropriations Acts which are passed each year to allocate the revenue which supports the Foreign Assistance Act are, likewise, divided along the lines separating economic and military assistance. The hearings conducted by the committees cognizant of these acts fall naturally into separate areas of concentration -- time and interest being devoted to economic or military assistance according to the predilections of the committee members and the relative degree of controversy associated with either form of foreign aid. Although a case could be made that the Congress, in 1967, sought to influence United States foreign policy through exercising restraint on economic assistance programs, the record of the hearings, the subsequent debates, and the final measures enacted into law all argue strongly that it was the Military Assistance Program which evoked the greater congressional agitation, and which, in the end, afforded the Congress the most effective mechanism for the exercise of influence.

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the Senate held its hearings and offered its amendments -- this accounts, in part, for the delayed hearings by the Senate Appropriations Committee.



This chapter will deal only with those portions of the pertinent hearings which relate directly to the authorization and appropriation of funds supporting military assistance. A student of congressional action, vis-a-vis foreign aid, during 1967 will find certain parallels between the legislative histories of economic assistance and military assistance. Such parallels are beyond the scope of this thesis.

The congressional - executive dialogue which is presented in this chapter -- like that of the preceding and subsequent chapters -- provides a special insight into the congressional effort to influence United States foreign policy by means of increasing legislative oversight of an important executive program. The diverse motives and concerns of the legislators who led this effort are shown clearly by their choice of questions and their commentary. The attitudes and political philosophies of the executive officials responsible for the Military Assistance Program are evident from their responses. By reviewing both the questions and the answers taken in testimony it is possible to discern much about the actual conduct and purpose of the Military Assistance Program that might escape a reading of any program description.

Issues such as Export - Import Bank financing of country - X loans, military assistance training, arms sales decision making, preemptive selling, or the greater role of the United States in providing international security constituted the flesh which enveloped the skeletal framework of program organization. Only the hearings provide a





balanced exposure of these and other pertinent issues as they were addressed by the administrators and legislators who made them their concern.

Relevant testimony, drawn from the hearings, will be presented in the order which the hearings occurred. All testimony, however, from each set of committee hearings (such as that of the House Committee on Appropriations) is presented in separate coherent sections, thus providing the reader sufficient continuity to identify important trends as they developed in the separate committees. The reader's attention will be drawn to those instances where testimony heard in one committee relates to that heard almost simultaneously in another committee. Appropriate subheadings are used throughout this chapter to identify and separate issues as they appear in the testimony.

## HEARINGS BEFORE THE HOUSE COMMITTEE ON APPROPRIATIONS

The House Committee on Appropriations numbered fifty-one congressmen, a group too unwieldy to conduct full committee hearings. The work of examining the appropriation bill for foreign aid fell to one of its subcommittees, that on Foreign Operations and Related Agencies. Chairman of that subcommittee was Congressman Otto E. Passman (D - La.). It would be an understatement to say that Congressman Passman was dissatisfied with the philosophy underlying foreign aid and with the cost and administration of the program. He began his





hearings on the appropriations bill for fiscal year 1968 by inserting in the record a letter of his own, written the previous year, castigating executive branch management of that program in the following terms:

Foreign aid has been so fragmentized and so enmeshed into the Budget until it is difficult for members of Congress to unscramble it. The Congress would do well to again place this program under close scrutiny, permit the proper Committees to bring it back under control, and allow the Executive what it needs, rather than what it asks for, which is usually far in excess of actual needs and encourages continued waste.

Congress is the first branch of the Government. It should stop yielding its prerogatives to inexperienced, bureaucratic spenders who have limited knowledge as to what the dissipation of our Nation's wealth is doing to our economy, our monetary system, and our free world markets.<sup>2</sup>

#### Testimony of Mr. Linder

One of the "related agencies" whose budget was appropriated together with economic and military assistance was the Export-Import Bank. Mr. Harold F. Linder, the President and Chairman of the Board of Directors of that bank, was the first witness called by Congressman Passman to testify before his subcommittee. The subject of the Export-Import Bank's participation in country - X loans

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<sup>2/</sup> U. S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, Hearings Before a Subcommittee of the Committee on Appropriations, 90th Congress, 1st session, (Washington: US Government Printing Office, 1967), p. 4.



had, thus far in the year, been flagged only twice -- once in Dr. William Bader's staff study and once in Assistant Secretary of Defense McNaughton's testimony before Senator Gore's Disarmament Subcommittee on March 2 (which had not been made public when Congressman Passman's subcommittee began hearings on March 20, 1967). Congressman Passman, however, led Mr. Linder into discussion of this issue almost immediately in his testimony.

MR. PASSMAN. If I remember correctly, 3 years ago the Congress authorized the Export-Import Bank to make loans to finance the sale of military equipment; is that correct?

MR. LINDER. I do not know that there was a specific authorization by the Congress. *Italics* supplied.

MR. PASSMAN. Let me put it this way: Export-Import Bank financing of sales of military equipment is a fairly recent practice, is it not?

MR. LINDER. Yes Sir. The loans started in fiscal year 1963, but none was made in 1965, and very, very little was authorized in 1964.

MR. PASSMAN. What prompted this decision, Mr. Linder?

MR. LINDER. Sir, in the first place, the administration as a whole -- and this includes Treasury, State Department, Bureau of the Budget, and, of course, the Defense Department -- felt that there were a number of countries among those receiving military equipment under grant arrangements that could afford to pay for it. However, they could not necessarily afford to pay cash, but were prepared to undertake a valid debt obligation. The question was, how could that be financed? ...

We said to the administration, "Gentlemen, these military sales are exports, and we are in



the export financing business." Where the buyers clearly have good credit and where we are reasonably convinced that the borrowing countries are close to us and are good friends of ours, we will be glad to consider financing military export sales on relatively short terms -- "not more than 7 years," using your definition. Occasionally, we may have gone up to about 10 years, but rarely, and frequently we have authorized loans on 5-year terms.<sup>3</sup>

Chairman Passman then requested that Mr. Linder provide a table showing all the Export-Import Bank's loans for military equipment purchases and was told by the bank president that such information would have to be "off the record." This prompted the following conversation and the first clear and public description of the country - X loan mechanism by an official of the administration.

#### Country - X Loans

MR. PASSMAN Why should it be off the record? If it is good and regular, and it is the American people's business we are attending to, and if it is not classified, then why should it not be on the record? It is part of the Bank's operation.

MR. LINDER. Sir, I have at times taken the liberty of classifying some things because I have felt -- and the Defense Department, I think joins me in feeling -- that certain of these transactions should not be on the record. I am perfectly prepared to tell you, when we have financed the sale of military equipment to the United Kingdom, that

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<sup>3/</sup> U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, pp. 18-19. It is interesting to note here Mr. Linder's disclaimer of "specific authorization" for his financing of arms sales; he would, in subsequent testimony, go to lengths to show that he had had, in fact, just such authorization.





we have done it.

But in some cases I do not even know to which country the export has gone because I am merely accepting a debt instrument which is guaranteed by the Department of Defense.

MR. PASSMAN. Could you tell us the number of countries to which you have financed the sale of military equipment?

MR. LINDER. I can tell you the number which I know.

MR. PASSMAN. Would not someone in your Bank have to know?

MR. LINDER. No, sir; we would not. *Italics supplied.*

MR. PASSMAN. How would you ever get the money out of the Treasury on that basis?

MR. LINDER. I get this money not out of the Treasury, but I get it out of the market.

MR. PASSMAN. Do I understand the committee is not going to be able to ascertain the number of countries for which you are financing the sale of military equipment?

MR. LINDER. The committee can ascertain all of those countries where we at Eximbank can identify the country. But if the Defense Department came to us tomorrow morning and said, "Country - X is buying \$5 million worth of military equipment. We have a 5-year note from country - X which we are prepared to guarantee to you. Country - X has paid down 10 percent or 15 or 20 percent in cash. It will repay the balance over a period of 5 years in equal semiannual installments. Will you discount a note guaranteed by the Defense Department or buy an account receivable which the Defense Department has against country - X's obligation which we tell you we hold and which we guarantee you repayment on?" I would provide them with the money. I do not know which country is denominated "X." <sup>4</sup>

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<sup>4</sup> / U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, pp. 18-19.



The President of the Export-Import Bank had now confirmed the assertions made by Dr. Bader in his study -- the Bank was financing arms sales, to countries whose identities were unknown to the Bank, and was doing so, apparently, solely on the recommendation of the Department of Defense, the agency which was prepared to guarantee such financing against risk. Further, according to Mr. Linder, there had never been specific authorization by the Congress for such activity on the part of the Export-Import Bank. If Mr. McNaughton had purposefully softpedaled his department's utilization of the Bank in his testimony before Senator Gore's subcommittee (in executive session), the facts of that utilization were now available to all the members of the Congress and to the public as well.

Congressman Passman was somewhat alarmed to hear this confirmation and he indicated his feelings concerning such participation by the Bank.

We know there is a military assistance program in over 50 nations of the world. We just do not want the Export-Import Bank to get too far afield in financing the sale of military equipment to various countries for profit's sake because there are two profits involved: one, to the manufacturer and one to the lending agency, whether it is a private bank or the Export-Import Bank. I do not think it is very conducive to peace if we keep on advocating the sale of military equipment by too many agencies of Government and make it too easy for these countries to buy military equipment.<sup>5</sup>

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<sup>5/</sup> U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, pp. 23-24.



## Testimony of the Secretary of Defense

After several days of hearings pertinent to other related agencies, Congressman Passman's subcommittee was prepared to listen to the first Cabinet member to approach Capitol Hill in support of the Foreign Assistance Act of 1967. On April 4, Secretary of Defense Robert S. McNamara appeared to testify in behalf of the Military Assistance Program (Part II of the Foreign Assistance Act).

In Secretary McNamara's opening statement he stressed the fact that the United States Military Assistance Program had shrunk from \$1.2 billion appropriated in fiscal year 1962 to \$596 million which he was now requesting be appropriated for fiscal year 1968. This sharp reduction, he pointed out, amounted to more than a 50 percent cut in those country programs which remained in the proposal for 1968 and resulted, he said, from "a sustained and concerted effort to streamline military assistance and to sharpen the program's focus on primary objectives."<sup>6</sup>

Congressman Passman, however, wanted it made clear for the record that the proposal for fiscal year 1968 did not include funding for military assistance to Vietnam (which the administration had shifted to the Defense budget the previous year -- with Congressional approval) or for Laos or Thailand, or for expenses accrued to the maintenance of

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<sup>6/</sup> U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, p. 451.





international military headquarters or to the United States' share of NATO infrastructure costs, all of which the administration was requesting be shifted to the Defense budget -- and all of which had been supported by the \$1.2 billion appropriated for fiscal 1962. In addition, the military assistance programs for India and Pakistan had both been cancelled. Secretary McNamara had to admit that, should those factors be considered, the country programs which remained sustained a net reduction of only \$95 million.

Secretary McNamara then went on to justify those shifts which either had been made (Vietnam) or which he wanted to see made away from the budget for military assistance (carried under Foreign Assistance) and placed under the Defense budget. As he explained it;

Unanticipated increases in Lao and Thai requirements, stemming from changes in the overall military situation in Southeast Asia, have in the past had to be financed by reducing grant programs to other important countries of the free world. Such shifts in the allocation of finite assets (most notably to meet rising Vietnam requirements in 1965) have greatly complicated management of the total program. They have also caused understandable concern on the part of the other MAP / Military Assistance Program / recipients whose programs were adversely affected.

The proposed transfers will remedy this situation; at the same time they will simplify the logistics management in Southeast Asia. . . . the NATO Infrastructure program, which provides for the construction and maintenance of facilities needed by the United States and other NATO forces in Europe /and/ the International Military Headquarters program, which supports the integrated command structures of NATO, CENTO, and SEATO. . . are not military assistance. They represent the United States' share of the total costs of two international endeavors; they go to the support of United States forces and therefore





are more appropriately financed by the regular Defense budget.<sup>7</sup>

There was one benefit of these shifts which the head of the Defense Department did not mention. Both he and the Secretary of State had been severely handled by critics of the United States' involvement in Southeast Asia when they had appeared before those committees which had jurisdiction over the foreign assistance authorization and appropriations acts of previous years. Removing military assistance funding from the scrutiny of those committees and placing it before the much less hostile audience of the Armed Services Committees (as part of the annual Defense Department budget) would deprive the program's critics of their most incandescent issue. Should this have been a motive, the additional transfer of the headquarters and infrastructure accounts might have been included as a screen; there is, however, no evidence of this. Secretary McNamara's arguments about unanticipated increases due to combat, logistics complications, and the like were certainly legitimate. Dr. Seth Tillman, consultant to the Senate Foreign Relations Committee, and a colleague of Dr. William Bader, is under the opinion that the shifts

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<sup>7</sup>/ U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, p. 452.



were made because the administration "was afraid of Fulbright."<sup>8</sup> As the Foreign Assistance Act of 1967 passed through the hands of the Chairman of the Foreign Relations Committee later in that year it would become obvious that such a "fear" -- if it existed -- would, too, have been legitimate.

Of the \$596 million which he was requesting for the Military Assistance Program, Secretary McNamara described the following disbursements:

About three-quarters of the proposed total is allocated to five nations adjacent to the U. S. S. R. and Red China where military assistance contributes directly to strengthening their ability to defend themselves against the threat of aggression by Communist neighbors. These countries are Greece, Turkey, Iran, Republic of China and Korea. Their MAP-supported forces are vitally important to our forward strategy for free world common defense.

The remaining fourth of the program is divided between grant assistance for all other recipient countries, on the one hand, and funds required for credit assistance and nonregional expenses, on the other. Less than one-fifth of our anticipated total obligational authority for fiscal year 1968 is allocated to grant programs for countries which are not directly exposed to the threat of aggression by Communist neighbors.<sup>9</sup>

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<sup>8/</sup> Quoted from a personal interview with Dr. Tillman in Washington, D. C. on November 16, 1971. There is certainly no question that this portion of military assistance funding -- which supported the war in Southeast Asia -- would be much less visible when included with a total Defense Budget of \$71 billion rather than the Foreign Assistance Budget of \$3.1 billion.

<sup>9/</sup> U. S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, pp. 453-454.



There were, according to Mr. McNamara, five basic criteria which were applied to all military assistance planning:

The first is that each program should relate very directly to important U. S. security and foreign policy interests, and should contribute to the optimum politico-military approach to the threat faced by the recipient country.

The second is that aid should be responsive to changes in our interests and in the threat, external or internal.

The third is that precautions must be taken to reduce the chances, however, remote, that assistance may be put to unintended purposes, such as regional conflicts or the support of undemocratic regimes.

The fourth is that grant aid should be terminated, and essential military equipment provided thereafter on a sales basis (with credits as necessary), when a recipient country has developed the ability to bear its own defense burden.

The fifth, but not least, is that -- at a time when the conflict in Vietnam makes major claim on our total national assets -- we must concentrate resources and programs which are not merely desirable, but indispensable.<sup>10</sup>

### Military Assistance Training

- It would be the duty of the Congress to examine Secretary McNamara and other administration officials as to how the details of the Military Assistance Program were to be reconciled with those five virtually unassailable criteria. One of the difficulties of reconciliation was Congressman Passman's notion that funds appropriated for the training of friendly foreign military forces purchased increased

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<sup>10/</sup> U. S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, pp. 452-453.





obligations for United States' involvement. He began the questioning of Secretary McNamara by introducing this notion.

MR. PASSMAN. Last year the budget proposed a grant aid program for 54 countries, of which 14 were programed for training only. What is the number of countries receiving military equipment from the fiscal 1967 appropriation?

SECRETARY McNAMARA. Thirty-seven, I believe, received equipment in the fiscal 1967 program compared to 58 in 1962 and 35 in 1968. That is equipment and services, excluding training.

MR. PASSMAN. Usually these countries move from training only to equipment countries.

SECRETARY McNAMARA. On the contrary, sir. That is not correct.

MR. PASSMAN. You say that is not correct. I have a right to assume if you train people to use military equipment, if they do not get equipment from our country, they will get it from somewhere else.

SECRETARY McNAMARA. Mr. Chairman, you may have the right to assume that the provision of training leads to a material program, but that is not supported by the facts.

MR. PASSMAN. What do you train them for?

SECRETARY McNAMARA. That is not the question at issue.

MR. PASSMAN. What do you train them for?

SECRETARY McNAMARA. That is not the question at issue. You said the provision of training leads to aid programs in material, and I simply say, as a matter of fact, that it is not the case. The fact is that the number of material programs has dropped dramatically from 1962 to 1968. It was 58 in 1962



and it is 35 in 1968 fiscal year 1968.<sup>11</sup>

Although it may be improper to describe Robert S. McNamara as having been hostile or even impolite during his several appearances before congressional committees, it was obvious that he frequently testified in a manner characterized by impatience and seeming disdain, tending often to lecture his questioners. He assumed that manner now with Congressman Passman.

MR. PASSMAN. Mr. Secretary, I respect your position, but what do you train them for? Why are they trained in the use of military equipment?

SECRETARY McNAMARA. We are training them to provide internal security in their respective countries. That is the primary function of the training for the countries receiving training-only programs. It is those to which you are alluding.

MR. PASSMAN. In the event, after they have been trained, it is necessary for them to have military equipment for internal security purposes, is it provided?

SECRETARY McNAMARA. In these training-only countries, no. *Italics supplied.*

MR. PASSMAN. Then what would be the use of training them if they are not going to have military equipment to use internally?

SECRETARY McNAMARA. It is a non sequitur to suggest that because we train them, we must also provide the equipment. . . . The point I want to make is that it is not correct to say that because we have

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<sup>11/</sup> U. S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, p. 464.



training- only programs, they are leading into larger military aid programs, including material. That is not a fact. It is not a fact supported by history, and it is not a basis for appraising our potential military aid programs.

MR. PASSMAN. I was in South Vietnam when we started a small military aid program. It was mainly to train those people for internal security purposes; is that correct? /*Italics supplied.*/ ... I am going back to 1957.

SECRETARY McNAMARA. I am not familiar with the details of the program at that time.

MR. PASSMAN. Let me say for the record, and it is in the record of prior years, that we were furnishing military advisers primarily for training these people for internal security. It would appear to me that in many countries where we could have trouble, that these people now are wanting more and more military equipment.

SECRETARY McNAMARA. Let me simply say this, sir. The record is very clear on this point. I examined it during the past week to make certain I was correct. We have added one country to the material program since 1962, and that is the Congo. During that same period, we have discontinued material and services programs for about 23 countries. So I do not see any basis for concluding that training programs, as we are administering them, lead to expansion of training-only programs into material aid programs. They do not.<sup>12</sup>

If it was Congressman Passman's intention to mount an attack upon the Military Assistance Program based on the position that innocuous appearing training-only missions ended in full-scale material commitments, he could elicit no support from Secretary McNamara.

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<sup>12/</sup> U. S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, pp. 464-465.





Even citing the "horrible example" of the Vietnam experience failed to win a satisfying response from the head of the Defense Department. The Congressman's argument, however, was not without merit and he would return to it again and again throughout the hearings.

### Military Assistance to North Africa

Certain aspects of the proposed military assistance budget were confusing to the subcommittee chairman; one of these was arms transfers to Morocco and Tunisia. According to his testimony, Secretary McNamara was recommending such transfers in order to "introduce stability into the area."<sup>13</sup>

MR. PASSMAN. Mr. Secretary, how can our Government justify a military program for Tunisia, based on Soviet assistance to Algeria when Algeria is getting economic assistance from the United States /under Part I, Economic Assistance, of the same Foreign Assistance Act -- italics supplied/ ?

SECRETARY McNAMARA. You mean based on military aid to Algeria while Algeria is also receiving economic aid from the United States.

MR. PASSMAN. Yes.

SECRETARY McNAMARA. I think it is just a matter of practical international relationships -- . We can advance the interests of Tunisia and Morocco, and in a very real sense of Algeria, by reducing the military vacuum. That is what, at least to a very slight degree, we seek to do with these very small military programs.

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<sup>13/</sup> U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, p. 466.





MR. PASSMAN. How can we justify economic assistance to Algeria?

SECRETARY McNAMARA. If you do not provide economic assistance to Algeria, you have an economic vacuum, sir. There is going to be -- . This is a question of our own self-interest. We are trying to dampen down the fires that erupt into international incidents, that increase the risk of military conflict this country may be engaged in. That is the entire purpose of our military aid program, and it is an important purpose of our economic aid program. We think that economic aid to Algeria and military aid to these other two nations, small as the amounts of military assistance are ... are well justified in relation to this objective. [Italics supplied.]<sup>14</sup>

Given Congressman Passman's age, his long tenure in the Congress, and a personal philosophy that embraced the Baptist faith, the Masons, and the American Legion, it should have come as no surprise that he would not be moved to approve Government spending abroad based upon sophisticated arguments about military and economic vacuums. Secretary McNamara's reasoning was lost on him and he was not ashamed to say so.

I do not comprehend, and I do not have all the answers, but it is a new concept, nevertheless, to try to keep America secure by dissipating our wealth. When I try to reconcile this with my understanding of how we became great, free, strong, and wealthy quickly, and then look at the 98 nations we will be disbursing military and economic assistance funds to this year, and when I think practically every time the President goes out of the country he must be

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<sup>14/</sup> U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, pp. 466-467.



cloaked with the authority to make commitments, or if some potentate comes to this country usually he is looking for an aid commitment, it just may be that the times have gone off and left me. I do not know. To me it does not add up.<sup>15</sup>

A member of the subcommittee, Congressman Clarence D. Long (D - Md.), was also confused by the administration's penchant for treating foreign economic and military vacuums with American aid. He asked Secretary McNamara to clarify this policy.

MR. LONG. It does seem to me that the chairman has a point, and I am not sure I understand your answer to it. Tensions exist between two countries which we have chosen to alleviate by spending money on both sides. Why can't we solve the problem by not spending money on both sides? What is our reason for supposing that we have achieved a better result by spending money on both sides than we would have by cutting down on both sides?

SECRETARY McNAMARA. Dr. Long, we start with nations that were not born yesterday which bring into their relationship -- very serious economic problems. We cannot change that situation. That economic chaos is going to break out or erupt into civil disturbances that will eventually cross borders and which therefore become a danger to us. ... we believe that as a Nation we, the United States, are better off for having given economic aid to Algeria, thereby advancing its growth, while making very small grants of military assistance to Tunisia and Morocco.

MR. LONG. If we are not giving them enough money to do much harm with, then we are surely not giving them much to do much good with either. And since we don't see our way clear to solve the situation, why don't

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<sup>15/</sup> U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, p. 467.



we stay out until we can see where it leads to?

SECRETARY McNAMARA. I don't think it is correct to say that, because the amounts are small, they don't play a significant role in preventing conflict between small nations. They do. . . . We have seen illustration after illustration of this. The Congo is one, Jordan is another. Ethiopia is a third, and I think these two countries [Morocco and Tunisia] are fourth and fifth examples. . . . But I think your question is a good and basic one. My answer is a clear and simple one. We should never provide military aid when we can avoid doing so without unreasonable risk.

Now, I think all of us must recognize that if North Africa became inflamed, trouble would spread to the Middle East very quickly. So we must try to preserve peace in North Africa and the Middle East. This is what our very small military aid program to both of those areas is designed to do.<sup>16</sup>

In the view, then, of the Secretary of Defense -- and presumably of the administration -- the filling of economic and military vacuums could be justified in the interest of preventing war not only in those areas of primary United States' strategic concern but also in areas where war might lead to conflict in adjacent areas wherein the United States had important interests. This might be described as a kind of "domino theory" -- not really too different from the politico-military philosophy which led the same administration into ever deeper involvement in Southeast Asia.

Throughout their testimony on military assistance and arms sales decisions thus far in 1967, each administration official had

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<sup>16</sup>/ U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, pp. 467-468.





stressed the high level at which such decisions were ultimately made. It had been stated by some and intimated by others (and would be reiterated still further as time went on) that economic and military assistance decisions were largely under the personal cognizance of the Secretary of State and the Secretary of Defense, and that such decisions comprised a coherent and comprehensive whole program. Congressman John J. McFall (D - Cal.) now suddenly opened the door to skepticism on this point.

MR. McFALL. Will you discuss the Algeria, Tunisia Morocco triangle with reference to your previous explanations that you have given? What is the situation in those countries?

SECRETARY McNAMARA. In the case of Algeria, Tunisia, and Morocco, I haven't been participating in the Algerian negotiations because these are non-military, and only peripherally in the Tunisian and Moroccan negotiations. /Italics supplied./<sup>17</sup>

#### Military Assistance Training

The subcommittee chairman however, was not interested in pressing Secretary McNamara on the subject of decision making; he was more concerned with proving his argument that training conducted under the Military Assistance Program eventually led to the provision of military equipment.

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<sup>17/</sup> U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, pp. 470-471.



MR. PASSMAN. Mr. Secretary, you know I am in politics. The testimony at the beginning of today's hearings could make me look stupid, when I indicated that when you start a training program in a nation, it could lead into a military equipment program. It is all right for me to insert in the record, is it not, the number of nations in which we started with a training program that eventually turned into a military equipment program?

SECRETARY McNAMARA. Mr. Chairman, obviously you should introduce into the record whatever you choose.

MR. PASSMAN. No, not what I choose, I just want the facts.

SECRETARY McNAMARA. Introduce the facts you choose; but I hope that in the course of introducing them, you will emphasize that, from 1962 to date, only one country has been added to those for which we have material programs -- the Congo. So, at least during this period of time, training programs have not evolved into material programs.

MR. PASSMAN. I was not limiting my comment to 1 or 2 years. I am speaking of the time since we started the Military Assistance Program and nations who went from training-only to military equipment programs. Your own people inserted this chart in the record last year. It indicated that up until last year there were seven countries that had moved out of the training-only category to an equipment category. [The chart indicated those countries were: Argentina, Bolivia, Costa Rica, Dominican Republic, El Salvador, Panama, and Paraguay.]

SECRETARY McNAMARA. I ask your permission... to introduce the figures covering the movement of countries from training-only programs into material programs in the years that this administration has been responsible for, fiscal 1962 through fiscal 1968. May I have that permission?

MR. PASSMAN. There is nothing wrong with that.



SECRETARY McNAMARA. Thank you, sir. The following information was inserted: Since FY 62 there have been no countries, for which grant aid was initiated as training-only, which moved into a material program category.

MR. PASSMAN. We are not working under just one administration. Sometimes these administrations do not last as long as they would like to last. I am talking about the length of time you have had a Military Assistance Program. I repeat: From little acorns big trees grow.<sup>18</sup>

While the subcommittee chairman had been dueling with the head of the Department of Defense, one of his colleagues had been waiting patiently for an opportunity to phrase his own questions. Congressman Silvio O. Conte (R - Mass.), a relatively junior member of the Congress (having first been elected in 1958) had apparently been doing his homework on foreign aid in general and on the Military Assistance Program in particular. Now that Congressman Passman had finally driven home his homily about acorns, Mr. Conte took his turn at examining the Secretary of Defense.

The questioning of Secretary McNamara had, to this point, been undertaken haphazardly and had provided the subcommittee with little more than verbal fencing between the Secretary and the chairman, Congressman Passman. Mr. Conte, however, intended to put the time to better use. His first few questions concerned Southeast Asia -- the progress of the war, the likelihood of Chinese intervention, and the

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<sup>18/</sup> U. S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, pp. 483-485.





probable long-range military assistance requirements for South Vietnam, Laos, and Thailand. In contrast to those questions put forward by his fellow committee members, Congressman Conte's were thoughtful, direct, and well-phrased; they appeared to conceal no traps and they were not argumentative in nature. Secretary McNamara, in response, reassumed his role of crisp, efficient super-executive. The following questions and answers are examples of their further dialogue and illustrate the administration's position on various important facets of the Military Assistance Program.

#### Military Assistance Precautions

MR. CONTE. You state one of the basic criteria being applied to military assistance is the taking of precautions to reduce the chances that assistance may be put to unintended purposes such as regional conflicts or the support of undemocratic regimes. Could you elaborate on how these precautions have been taken?

SECRETARY McNAMARA. United States actions in South Asia are representative of measures we have taken to prevent the unintended utilization of military equipment. In 1965, all military shipments to India and Pakistan were halted, thereby minimizing the possibility of U.S. arms being used to continue hostilities on the subcontinent.<sup>19</sup>

When developing nations in the Middle East, Latin America, and Africa desire military equipment, it is

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<sup>19/</sup> Three weeks earlier, during the Near Eastern and South Asian Affairs Subcommittee hearing of March 14, 1967, Senator Symington and Dr. Bader had surfaced the issue of F-86 jet fighters having found their way to Pakistan "despite" U.S. precautions. If Secretary McNamara felt at all vulnerable on this score he chose not to make this subcommittee aware of it.





our policy to avoid the provision of material which could contribute to conflicts or arms races and encourage only essentially defensive hardware. For example, in the Middle East we have resisted arms requests because we suspected that the items might be put to unintended purposes such as regional conflict or the support of undemocratic regimes. To date we have denied the efforts of Latin American countries to obtain supersonic aircraft and we have encouraged other free world nations to do likewise. Similarly, our programs in Africa are minimal and confined to internal security and civic action programs.

Finally, foreign military personnel receiving U. S. training are exposed to the democratic philosophy as to the proper role of the military vis-a-vis its civilian leadership.

MR. CONTE. Greece and Turkey are two of the five countries to receive 75 percent of the proposed military aid. In light of the conflicts which have in the past arisen over Cyprus, what steps have been taken to minimize our winding up in the same situation here that we found in the India-Pakistan conflict of our weapons fighting our weapons? <sup>20</sup>

SECRETARY McNAMARA. We have refrained from intervening directly in the Cyprus dispute for the last 3 years, believing that the solution to the problem must be found by the parties concerned. We normally work through the U. N. to dampen tensions. Both countries are aware of the threat of the loss of MAP [Military Assistance Program] if MAP supplied equipment is converted to purposes other than those for which it was furnished.

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20/ Congressman Conte seems to have had a flair for pre-science. Within the month the new Greek junta would break off talks with Turkey and by November Greek forces equipped with U. S. weapons would be preparing to fight Turkish forces likewise equipped over the Cyprus issue. Only very direct diplomatic intervention by the United States would prevent another regional conflict.



## Military Assistance to Latin America

MR. CONTE. As you are well aware Mr. Secretary, I have been very unhappy with our program of providing military aid to Latin America on an individual country rather than on a regional program basis. My views have not changed on this subject and I would like to know if any steps have been taken to develop means to provide regional assistance to Latin America and Africa as well, as opposed to this highly dangerous independent assistance?

SECRETARY McNAMARA. While the executive branch is mindful of the intent of the Congress to provide military assistance to Latin America on a regional program basis, as expressed in section 511 (b) of the Foreign Assistance Act, there are certain obstacles to the effective implementation of this intent. The major thrust of military assistance to Latin America is internal security, which is most effectively dealt with internally by each country. Moreover, countries resist efforts for others to become involved in their internal security problems and programs. Therefore, it is difficult to attempt to channel military assistance for internal security purposes on a regional program basis. . . . military assistance has been provided to some extent for regional or sub-regional programs such as: assistance to the Central American Defense Council; support for an expanded program of combined military exercises, regional seminars, and conferences with the purpose of achieving greater multilateral planning for, and operation of, Latin American military forces; and, support of Latin American units appropriate for OAS /Organization of American States/ on U.N. peacekeeping assignments, communications networks, and logistical support forces.

In Africa, our material assistance is selective, limited to only certain countries whose security requirements are not being met adequately by other means and where the U.S. security interests are involved. A regional approach, such as through the OAU /Organization for African Unity/, would pose serious practical problems in retaining this selectivity and limiting the number of MAP recipients.



## Controlled Sales of Military Equipment

MR. CONTE. In your statement you emphasize your view that the controlled sale of appropriate types of military equipment to allied and friendly nations is in the national interest. Senator McCarthy of Minnesota in an article in the Saturday Review of July 9, 1966, quotes the following from a Defense Department pamphlet entitled "Information and Guidance on Military Assistance.":

The Department of Defense has embarked on an intensified military assistance program. . . .

Achievement of . . . objectives calls for a very substantial increase over past sales. Success in this endeavor will be dependent in large measure upon effective sales promotion.

Would you care to comment on this in terms of your reference to the importance of controlled sales of appropriate military equipment?

SECRETARY McNAMARA. In reply, I believe the following points are pertinent:

1. Three basic standards govern the conduct of our foreign military sales program:

(a) We will not sell equipment to a foreign country which we believe it cannot afford.

(b) We will never ask a potential foreign customer to buy anything not truly needed by its own forces.

(c) We will not ask any foreign country to purchase anything from the United States which it can buy cheaper or better elsewhere.

2. Every proposed sale is consonant with overall policy established by the Department of State or specifically subjected to a careful and thorough review within the U. S. Government before negotiation is initiated. . . . These reviews are conducted at very high levels of Government

3. The mix of U. S. military grant aid and credit sales has changed in recent years, but the aggregate grant-sales program today is about the same as it has been for the past 5 years -- approximately \$3 billion. . . .

4. Almost 90 percent of U. S. cash and credit military sales has been to NATO, Australia, and Japan; military sales to underdeveloped countries have amounted to only about 10 percent of the total. . . .

5. Extensions of credit by the United States are carefully controlled. The Eximbank does not finance any military sales without assurance from the







Departments of State and Defense that such sales are consistent with our national objectives. ...

6. Our sales have created about 1.4 million manyears of employment in the United States and over \$1 billion in profits to American industry over the last five years. ...

In summary, although we sell arms abroad, we do so in a very responsible manner and, in this foreign military sales program, I believe that we have established all the necessary policy and administrative safeguards to insure that this will continue to be true in the future. /Italics supplied./<sup>21</sup>

From the length of Secretary McNamara's answer to the last question it seems apparent that the query on arms sales had touched a nerve. The head of the Defense Department reiterated the entire litany already recited by his subordinates, Mr. McNaughton and Mr. Kuss, incident to their appearances before Senator Gore's and Senator Symington's subcommittees. (Secretary McNamara, however, correctly indicated the \$1 billion in profits to have accrued over a five year period.) While the testimony given by his subordinates occurred in executive sessions and would not be made public for another month, Secretary McNamara's statements were made in open session and provided a sooner rebuttal to the points raised originally by Dr. Bader in his staff study. By conforming precisely to the language used by his assistants in defending the military sales program, Secretary McNamara committed the administration, at the Cabinet level, to certain assertions which had already been brought into question by

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<sup>21/</sup> U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, pp. 495-499.



the Gore and Symington subcommittees and which would continue to suffer from close scrutiny throughout the year. Had the Defense Secretary been able to foresee the damage which a loss of credibility would ultimately bring to this, and other, programs, he might well have taken this occasion to temper his position on the goals and practices of the Military Assistance Program. What would soon come to be known as "the mood of Congress" vis-a-vis arms transfers by the United States must not yet have been clearly obvious to Secretary McNamara -- this might be inferred from his response to Congressman Conte's final question.

### "Preemptive Selling"

MR. CONTE. Mr. Secretary, we have had a tremendous growth in the sale of weapons and other military equipment from an average I believe of \$300 million in the fifties to a range today near \$2 billion a year. Furthermore, Mr. Kuss of your staff predicts much greater increases of sales in the future. How can we continue to take these steps and at the same time hope to achieve a workable arms control program for this country and the world? If you follow the theory of "preemptive selling" so that you sell to countries because otherwise they will buy from other countries, how can we ever establish a solid foundation for achieving arms controls?

SECRETARY McNAMARA. With respect to the first part of your question, our total sales exports have increased tremendously but our total exports including aid have remained about the same. Mr. Kuss has always indicated that in the 10-year period, 1952-1961, we exported about \$22 billion in military hardware of which \$17 billion was paid for by the American taxpayer. He forecasts a



complete reverse in the situation with the cash sales increasing to about \$15 to \$17 billion and the exports paid for by our taxpayer decreasing to about \$5 billion. . . .

With respect to the second question, we talk of preemptive selling only where failure to sell would cause a radical increase in direct or indirect Sino-Soviet influence. In applying such preemptive policies, for example in the Middle East, we encourage purchases of arms from other Western countries before considering our own sources. We do not follow preemptive selling policies as a commercial practice. /Italics supplied./<sup>22</sup>

Two months later, the Middle East would erupt into a short but vicious conflict in which elements of both sides would employ quantities of United States military equipment that would draw nearly as much attention as that supplied by any other nation. Not only would it seem, then, to Mr. Conte and others, that the Secretary of Defense had evaded the issue of arms sales being counterproductive to arms control, but it would appear that he had overstated the administration's policy of deferring arms sales in favor of "other Western countries." Whether or not the United States was engaged in preemptive selling would be determined by each member of the Congress as evidence of American competition in the sale of arms was brought to light throughout the year.

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<sup>22/</sup> U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, pp. 499-500.





## Testimony of Mr. Kuss and Vice Admiral Heinz

Having heard from the head of the Department of Defense, the subcommittee now turned to the two officials who personally oversaw the dual components of the Military Assistance Program -- Vice Admiral L. C. Heinz, the Director of Military Assistance and Mr. Henry J. Kuss, Deputy Assistant Secretary of Defense for International Logistics Negotiations.<sup>23</sup> Both of these gentlemen worked directly under Mr. McNaughton, Assistant Secretary of Defense for International Security Affairs -- who, in turn, worked directly under the Secretary of Defense. Although Vice Admiral Heinz was responsible for the entire Military Assistance Program, which included both grant aid and sales of military equipment, the ever-growing volume of sales had led to the elevation of Mr. Kuss to a co-equal status. The latter was theoretically constrained from making sales which were out of the context of the overall plan for military assistance as designed by the former (in collaboration with the Joint Chiefs of Staff, the Services, and the regional Unified Commands). In practice, military assistance plans were normally sufficiently flexible to allow Mr. Kuss and his staff of salesmen wide enough latitude to pursue

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23/ The Office of the Director of Military Assistance is one of those within the staff of the Secretary of Defense which is occupied by a general or flag officer drawn from the Armed Services. The position rotates between the Services and there is no special significance to the Director's branch -- in the case of Vice Admiral Heinz, the U. S. Navy.





whatever customers they desired.<sup>24</sup>

On the day following Secretary McNamara's testimony, April 5, 1967, Vice Admiral Heinz appeared before the subcommittee and provided a detailed analysis of the proposed program for fiscal year 1968. The Admiral explained that his office meant to abide by all of the caveats which the Congress legislated previously in regard to the Military Assistance Program. These included restricting the program to only forty countries, limiting total grants and sales to Latin America to \$85 million and to Africa, \$25 million. He provided the subcommittee with a regional breakdown of proposed new disbursements together with the following statement:

Our proposals with respect to the use of fiscal year 1968 funds are, as Secretary McNamara told you, fully consistent with the carefully established criteria he discussed; and the entire program is designed to generate maximum security benefits for the United States at minimal cost to the American taxpayer. Accordingly, the portion of total assets we propose to allocate to each region, and to non-regional undertakings and credit assistance, reflects very clearly the degree and nature of our national defense and foreign policy interests with respect to each -- as follows:

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<sup>24/</sup> As has been noted in Chapter I, Mr. Kuss' counterparts in each of the Armed Services were constrained to follow the force structures recommended annually by the Joint Strategic Objectives Plan, Volume III, in carrying out their sales programs.



| (Dollar amounts in millions) |         |                  |
|------------------------------|---------|------------------|
| Region                       | Amount  | Percent of total |
| Far East                     | \$282.1 | 41               |
| Near East and South Asia     | 234.0   | 34               |
| Europe                       | 5.9     | 1                |
| Africa                       | 31.2    | 4                |
| Latin America                | 45.5    | 7                |
| Credit Assistance            | 60.0    | 9                |
| Nonregional                  | 30.0    | 4                |
|                              |         | 25               |

The Director of Military Assistance went on to show that 93 percent of the funds proposed for the Far East and Near East and South Asia regions would be distributed to the five "forward defense" countries; the Republic of China and Korea (in the Far East) and Greece, Turkey and Iran (included within the Near East and South Asia region). The \$60 million for credit assistance would, of course, be administered by Mr. Kuss in the financing of arms sales, and, of the \$30 million requested for nonregional use, \$21.4 million would be used to defray the administrative costs of the Military Assistance Program worldwide.

Mr. Kuss then identified himself to the subcommittee and explained the role of his International Logistics Negotiations office in helping to fulfill the goals of the program, helping "to generate maximum security benefits for the United States at minimal cost to the American taxpayer." His statement afforded the Congressmen some

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25/ U. S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, p. 519.



excellent information concerning the nature of the Defense Department's function in the promotion of arms sales -- particularly in regard to financing.

### Financing of Military Sales

The basic source of financing these sales is always the resources available to the country whether the sale is a cash or deferred payment sale. Of the total \$11 billion in sales over the last 5 years, approximately \$2.4 billion were country financed purchases directly from U.S. commercial sources, approximately \$5.7 billion cash purchases from the U.S. Department of Defense, approximately \$2 billion will be financed directly by private U.S. banks or with the Export-Import Bank (in other words, without any Defense Department involvement) and the balance of about \$1 billion financed or guaranteed by the Department of Defense.

Another way of looking at financing sources is to compare the orders implemented during the 5-year period, fiscal years 1962-66 (aside from commitments which will be implemented in future years) against the budgetary expenditures of the principal countries buying in the United States. . . . Overall, the free world countries are estimated to have spent about \$38.4 billion and implemented orders of about \$8.3 billion from the United States during the last 5 years or a little over 21 percent of their total procurement budgets.

You can see that the United States is not generally supplying all of the requirements but supplies selected items which would normally cost anywhere from 100 to 200 percent more if each country chose to develop and produce the material independently.<sup>26</sup>

In regard to the division of financing responsibilities between

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<sup>26/</sup> U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, pp. 529-530.





the Department of Defense and the Export-Import Bank, Mr. Kuss made these two points:

1. In 1963 an Executive Branch decision, taken in consultation with Defense, AID, State, and the Eximbank under the leadership of the Treasury Department, determined that credit requirements of the industrialized countries of Europe and the Far East would be handled, as necessary, by the Eximbank or private banks without any Department of Defense guarantee or extension of credit. Thus, since 1963 the Eximbank has been the principal source of financing for countries like the United Kingdom, Australia, and New Zealand.

2. This same 1963 decision formed the basis for the DOD assuming the responsibility for the greater risk loans in the other parts of the world. Under its authorities the DOD may do one of the following three things:

(a) Extend credit directly and maintain the notes in its own portfolio.

(b) Guarantee repayments to exporters, insurance companies, financial institutions, or others who would finance or extend credit to foreign governments for the purchase of military material, of course, that which was consistent with our objectives, or,

(c) Negotiate credit sales and sell notes or other evidences of indebtedness to private or Government banking facilities with a guarantee of repayment.

/Italics supplied./<sup>27</sup>

Country - X loans, flagged by Dr. Bader in his staff study, were transacted according to the last of these methods by which the Department of Defense could arrange financing for arms sales -- the Department negotiating the sales, selling the notes to the Export-Import Bank,

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<sup>27</sup>/ U. S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, pp. 530-531.



and guarantying repayment with its own credit sales fund as collateral. When Congressman Passman had earlier inquired of Mr. Linder, the president of the Export-Import Bank, as to the authorization for such transactions, he responded that he knew of no specific authorization by the Congress. Now, Mr. Kuss attributed the procedure to an "Executive Branch decision" made in 1963. Several administration spokesmen would, later in the year, testify that not only was there "congressional authorization" for country - X loans but that Congress had been informed of the implementation of that procedure from the very outset.

The Department of Defense credit sales fund, which was sometimes alternately called the "revolving fund," was, according to Mr. Kuss, handled in the following manner.

Operations for each year are financed from repayments received during the year and from new obligational authority as required. For example, in the fiscal year 1968 fund request before you the \$120.6 million estimated requirement will be met from repayments of \$55 million; \$5.6 million in reduction of outstanding guarantee reserves due to repayments [the Department was securing loans from the Export-Import Bank with reserves equal to 25 percent of the total loans outstanding -- as the loans were repaid, the reserves were reclaimed], and \$60 million of requested new obligational authority [the "credit assistance" noted by Vice Admiral Heinz].

We estimate that the total amount of the program to be financed with this \$120.6 million will be about \$300 million, but this total will be finally dependent on terms negotiated, bank rates, and bank willingness to purchase evidence of indebtedness with or without



DOD guarantees and reserves.<sup>28</sup>

The subcommittee chairman, Congressman Passman, had restrained himself quietly throughout the prepared statements of Vice Admiral Heinz and Mr. Kuss. Now that they had finished, he exposed them to his own personal discomfit with their whole program.

We have had a government, as we know it, for 178 years -- I think the Constitution and Bill of Rights came into being 178 years ago. From that date through December 31, 1966, our Federal Government collected in taxes \$1,608,390 million. However, for every dollar collected in revenue during the entire 178 years, our Government created an obligation of \$1.82. Most of this tremendous obligation has been created in the past 30 years.

On December 31, 1966, our borrowed money Federal public debt amounted to \$330 billion. Federal Statutory obligations, calling for the payout of money in subsequent years for services previously rendered, amounted to \$800 billion. The two together make it a real public debt, or obligation, for services previously rendered -- not to be rendered -- of \$1,130 billion. These obligations amount to \$5,794 for every living American. . . .

With that fact in mind, we just hope that you gentlemen who are requesting this money, some where along the way, can find the time and the place to reduce the amount that you have requested. It is not very popular with the executive departments and with many members of Congress to make budget reductions, but I think that time is fast approaching when we will have to make reductions and balance this budget. If we do not, our successors will.<sup>29</sup>

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<sup>28</sup>/ U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, p. 531.

<sup>29</sup>/ Ibid., pp. 531-532.





Thus began four grueling days of hearings (April 5, 6, 7, and 11) during which Vice Admiral Heinz and Mr. Kuss were treated to vintage congressional interrogation -- philosophical admonitions, sarcastic tirades, and veiled accusations, all seasoned with homespun allegory, tested the administration officials in their defense of the Military Assistance Program. The following examples illustrate the areas of greatest congressional concern as well as some of the temper of the lengthy dialogue.

#### Export-Import Bank Financing of Military Sales

MR. PASSMAN. Mr. Secretary [Kuss], a moment ago we were discussing military sales financed by the Export-Import Bank. So as to get away from this facet of the military assistance program and move into the main program, that is, the grant aid program under Admiral Heinz, we can state in an abbreviated form for the record that as of this date the Export-Import Bank has financed sales of military equipment to only four nations.

MR. KUSS. No, sir.

MR. PASSMAN. How many nations?

MR. KUSS. Four nations in addition that are not included in that first list that you received.

MR. PASSMAN. Then what is the total number of nations with which the Export-Import Bank has financed sales of military equipment since they started the program in 1965?

MR. KUSS. I will give you a figure for what we plan to the beginning of fiscal 1968, or do you want it through 1968?

MR. PASSMAN. I want to know the number of nations --





MR. KUSS. Or through today?

MR. PASSMAN. Through fiscal year 1967. In fiscal year 1968 we may amend the law and not permit you to do it. This question deals with what has happened and not what may happen. Indicate the names of the nations. [Italics supplied.]

MR. KUSS. The names of the nations are classified.

MR. PASSMAN. You can put them in the record. If they have to be classified they can be taken out. ... What is the total?

MR. KUSS. Fifteen. [Italics supplied.] 30

It is obvious from the record that Mr. Kuss and the subcommittee chairman communicated poorly. After some further questions Congressman Passman expressed his opinion of this use of the Export-Import Bank.

MR. PASSMAN. Of course, Mr. Secretary, the main reason we wanted you before the committee was to clear up the system used by the Export-Import Bank to finance the sales of military equipment. The Export-Import Bank, since its inception, has been financing the sales of only nonmilitary exports.

It has been a very fine institution and has had a lot of support from this committee. As one individual, I regret very much to see the Export-Import Bank get into the financing of the sales of military equipment. The way I see it, the purchase of military equipment is not contributing to the development of the underdeveloped countries, and such a high percentage of the income of these underdeveloped countries is being diverted to this operation -- in just three years I believe, you said \$600 million -- which represents a fairly substantial portion



of the total amount of sales financed by the Export-Import Bank, does it not?

MR. KUSS. I am not aware of their total budget.

MR. PASSMAN. Do you have any projections as to how much military sales that you would expect Export-Import Bank to finance for you?

MR. KUSS. Yes. I have potential of \$256 million.<sup>31</sup>

The now uncovered extent of the credit arms sales program prompted Congressman Passman to initiate the following exchange.

MR. PASSMAN. I am afraid there is too much emphasis on the sale of or the giving of military equipment. That is bound to keep people's mind on wars rather than on building the common interests of peaceful pursuits. I for one am greatly worried about it because we have about 74 nations, if we add the /NATO/ infrastructure countries to the three categories we mentioned /grant aid, direct credit sales, and credit sales guaranteed by the DOD/, and that is about 65 percent of the total number of nations.

MR. KUSS. I would like to assure you, Mr. Chairman, as I am sure the Secretary did yesterday, that we have this concern of yours uppermost in our mind as well, and that in those countries, for example, who are transiting from economic aid, as Iran, which was cut off in 1962 from budgetary assistance but still is receiving some military aid, we are extremely careful about how we go about our military program in that country.

And invariably one of our most difficult diplomatic tasks is coming to a level of a program which is far under what the country itself desires. Invariably through a system of analysis not only by the military in the country, but by the central bankers in the

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<sup>31/</sup> U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, pp. 547-548.



country with our embassy, our military command, the State Department, Defense Department, and Treasury Department, an analysis is made of what the current revenues are available for the economic programs first, and military programs are entered into only to the extent that it appears there are revenues available for that. ...

I just want to be on the record, Mr. Chairman, that your concern is our concern and a great deal has been done to take care of it.

MR. PASSMAN. I do appreciate your statement, Mr. Secretary. I respect all witnesses appearing before this committee. Without exception, I have never met one that was not dedicated. You must believe in these programs or I do not think you would associate yourself with them. But inasmuch as this is still America and we have a right to think and speak, I say that history, when it is written, is going to make all of us look stupid. We are attempting to work out the problems of all other peoples on the face of the earth, and it does not appear to me that we are capable of arranging our own business financially.

We are using up our resources very rapidly and our resources are the wealth of our country. It is a new concept -- giving away our wealth by starting a military assistance program in half of the nations of the world is entirely a new concept and only history will tell whether or not we affected it. <sup>32</sup>

### Arms Sales and the Economy

The question of whether arms sales were being promoted by the so-called military-industrial complex in the United States was touched on briefly.

MR. PASSMAN. It would appear to me that we are not very careful in making arms sales decisions inasmuch as we have made the manufacture and sale of military

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32/ U. S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968. pp. 550-551.





equipment an essential part of our economy today and it is-getting to be a big thing. ...

MR. KUSS. ... in fact military sales do not make up a large part of our economy. They are important to us politically, militarily. They do not amount to more than about 6 percent of our defense production industry. Many of our defense companies could care less whether they ever made a military export sale or not.<sup>33</sup>

### Military Assistance Training

Turning to Vice Admiral Heinz, the subcommittee chairman reopened the issue of whether training-only programs eventually led to material programs of military assistance.

MR. PASSMAN. This is somewhat controversial and I find that some witnesses are very quick and sensitive when you ask this question /Secretary McNamara was the only witness so asked/: Since the inception of the military assistance program, how many countries in the program started with a training program only, that subsequently started getting material?

ADMIRAL HEINZ. I recognize that we gave you a list of this last year.

MR. PASSMAN. That is right, That covered only one period.

ADMIRAL HEINZ. There were seven countries.

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<sup>33/</sup> U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, p. 555. Mr. Kuss may have been understating the economic impact of arms sales somewhat here. Even in the United States, any business that has earned \$1 billion in profits for it's first five years of operation -- although it may not be "essential" -- is certainly a "big thing."



MR. PASSMAN. Seven, that is correct. . . . What is the purpose of training personnel to use military equipment?

ADMIRAL HEINZ. The purpose of training personnel to use equipment is, of course, so that they may make better use of the equipment they have.

MR. PASSMAN. And if that wears out it would follow that they would have to procure other equipment to replace it; is that right?

ADMIRAL HEINZ. When equipment wears out, you may or may not replace that equipment, depending upon whether your forces are increasing, are remaining static, or are decreasing. It is to be expected that everyone replaces equipment when it wears out, as you do your car and as I do my car.

MR. PASSMAN. If it were conclusive that they would never have any use for equipment, then it would be useless to train them to use it; would it not?

ADMIRAL HEINZ. That is correct.

MR. PASSMAN. That is a good answer and I am grateful. It is perfectly obvious, we both knew that, but I never have been able to get it in the record before.<sup>34</sup>

Satisfied that he had made his point, Congressman Passman changed his tack.

#### Military Assistance Related to Coups

MR. PASSMAN. Admiral, does the fiscal 1968 budget contain any funds for a program of military assistance to any country that experienced an illegal seizure of control of the government since you appeared before the committee last year?

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<sup>34/</sup> U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, pp. 558-559.



ADMIRAL HEINZ. ... There is no indication that military assistance encourages coups.

MR. PASSMAN. Coups are sometimes accomplished with arms?

ADMIRAL HEINZ. Sometimes they are accomplished without arms.

MR. PASSMAN. We both know that, but I said sometimes they are accomplished with arms.

ADMIRAL HEINZ. Sometimes they are accomplished with arms.

MR. PASSMAN. That is right. ... One country changed governments four times. I have heard people testify for one government. That government would be overthrown and the same people would testify for the new government. ... People have a difficult job explaining some of these things and I would not want to press the point and ask you to go into too much in detail other than to give us a list of all the nations at this point in the record.

(The information follows:)

Successful Military Coups, April 1966 - April 1967

Five military coups have been successfully executed since April 1966: in Argentina (June 1966), Nigeria (July 1966), Burundi (November 1966), Togo (January 1967), and Sierra Leone (March 1967). Of these countries, three received no U. S. military assistance and Nigeria received only MAP training; Argentina alone received both military grant and sales assistance. U. S. military assistance to Argentina, suspended for four months after the coup, has been resumed and is included in the FY 1968 program. [Italics supplied.] 35

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35/ U. S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, pp. 559-560.



## Justification of Military Assistance Items

The subcommittee chairman was alarmed at several of the line item expenditures in the previous military assistance budgets -- one of these was for locomotives for Thailand.

MR. PASSMAN. Admiral, to be perfectly honest with you, I think that we will agree that the executive branch runs this Government just about the way they want to, and they stretch these laws until it is almost out of the bounds of reason. It is pretty hard to justify the purchase of 10 locomotives for Thailand by the military assistance appropriation when we know that primarily they are used in the general economy of Thailand. The percentage of military equipment they would move at that time /1963/ was a very small percentage of the total tonnages moved. Would that be a fair statement?

ADMIRAL HEINZ. I would say at that time, yes, very small.

MR. PASSMAN. And I will tell you, they go pretty far afield and I think you would worry as much as we do, if we don't assume our responsibility for running this Government.<sup>36</sup>

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<sup>36/</sup> U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, p. 578. It may have occurred to some of the subcommittee members that these locomotives, funded under MAP and delivered four years previously, might have indicated then, by their significant addition to the logistics infrastructure in Thailand a U.S. intention towards large scale military involvement in that country. No one, however, raised this point. -- neither was it even flagged in hearings conducted by other committees. The commitment conscious Senate Foreign Relations Committee might have found it appropriate grist for their particular mill.





## The Function of Mr. Kuss

Congressman Conte, who was certainly prepared to assume his share of the responsibility for running the Government, now began to take his turn at questioning the witnesses. As he had done with Secretary McNamara, Mr. Conte normally framed his inquiries in such a way that they were requests for information rather than polemical traps, however, there were some exceptions.

MR. CONTE. Could you Mr. Kuss give us a brief rundown of the operation of your office including a breakdown of the responsibilities of your four sales teams and the methods they use to carry out their assignments?

MR. KUSS. Yes, sir. ...

MR. CONTE. I do not want to be rude and I do not want to interrupt you, but do you go around with a briefcase and portfolios and try to sell military supplies and weapons like an automobile salesman?

MR. KUSS. My office never has yet, principally because we have been kept so busy with people coming to us that there is absolutely no need for us to operate as a salesman. It is not only that there is no need, but it is not our business to do so. Our business is to try to respond to requirements such as Prime Minister Wilson's request to the President. "Will you help us out on three aircraft that we do not want to develop ourselves?" For agreement between the Minister of Defense of Germany and the Minister of Defense of the United States, there are no bag-carrying salesmen in this office.

My job, I'm afraid, is to act like a bureaucrat and to coordinate with five other regions in international security affairs for Europe, for the Far East, and so forth, to meet every Monday afternoon with the State Department and review what is going on, every Thursday afternoon with the Treasury Department to review the financial ends



of the business, weekly with the armed services, monthly with the Joint Chiefs, and to see to it that all of this machinery ends up with a product. Sometimes it is difficult to end up with a product after all that machinery -- but that is my job. We are not bag carriers. *(Italics supplied.)* 37

It is difficult to recognize in this principal architect of a very healthy arms sales program and dignified "bureaucrat" whose days were spent arranging agreements between Ministers of Defense, the same Mr. Kuss who, in a different mood, described himself and his associates to Senator Fulbright as "minions in the wheels." It seems that, while he might be a minion, he was not a bag carrier. As was noted in Chapter I, however, there was certainly a great deal of bag carrying going on in 1967, as well as in previous years.

#### Military Assistance to Latin America

During an earlier session of the Congress, in September 1965, Mr. Conte had made a speech on the floor of the House on the subjects of foreign aid and military assistance. One of his concerns then was Latin America; in regard to which he said,

I am not convinced that, in every instance, the funds, which have been programed for military assistance for Latin American countries, have been applied toward their intended purpose. These funds could, however, well be an enabling factor for any Latin American

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37/ U. S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, p. 587. The breakdown of Mr. Kuss staff, requested by the subcommittee, is provided for reference at Appendix L.



country's buildup of military capabilities for external aggression. These funds may well have been applied in many of the coups that have taken place in Latin America.<sup>38</sup>

Mr. Conte was still very much concerned with the application of military assistance to Latin America and he approached that subject again in questioning Mr. Kuss.

MR. CONTE. The following statement is made in the justification book /assumed to be the DOD publication Military Assistance and Foreign Military Sales Facts/:

"We shall continue to discourage sales of military equipment to countries which may seek to acquire it primarily for prestige purposes just as we recognize the danger of sales which contribute to the development of arms races among neighboring countries or divert limited country resources from more urgently needed economic and social development."

Would you expand on this statement, including an explanation of how this policy is carried out and perhaps a few examples of what you have done in this field?

MR. KUSS. ... let me at this point just give you a slight example. We do not believe, and have not believed for a long time, that the economies and that the military establishments of Latin America require a million, a million and a half or a two million dollar supersonic fighter.

MR. CONTE. Amen.

MR. KUSS. We have been working diligently to negotiate, to talk these people diplomatically into forestalling all internal actions that would aim toward that direction. ... The problem has occurred in some countries where they have said, "All right, we will give up two squadrons and consolidate into one squadron in order to bear the expense

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<sup>38/</sup> U. S., Congressional Record, 89th Congress, 1st session (September 8, 1965), p. 23158.





of the new aircraft. We are not growing," they say, "we are contracting."

So we deliberately say, "All right, but we still think it is a misuse of expenditures," and our next step is to try to find something else that will temper the problem. In Chile they acquired used overhauled Hawker-Hunters. ... When it broke in the newspaper it sounded like there was a big arms program. If you had known what it looked like from where we started, you would have an example of what we have done to keep this depressed.

MR. CONTE. It is discouraging to see that they are able to get around us. We can turn them down and they go to some of our allies that we are helping out. I think the chairman really hit on this where we are giving grant aid to some of these countries and then they turn around and use their own resources to buy this military equipment.

Chile purchased \$13 million -- you mentioned Chile -- worth of high performance Hawker-Hunter jets from the British. This is a lot of money for a country that is wobbly on its feet right now and could use every plugged nickel it could get to develop itself.

It should be plowing that money into education and doing away with some of the misery and sickness and hunger that they are faced with down there. ... \$13 million is a lot of money. I don't care what it's for; it's a lot of money, even if they are buying kites with it. ... You have to agree with me that to a country that is struggling like Chile, \$13 million is a lot of money.

MR. KUSS. I do not know where they got the \$13 million, to tell you the truth.

MR. CONTE. We are giving them grant aid. That is the whole point. Then they divert that grant aid for these Hawkers.<sup>39</sup>

This, then, was Congressman Conte's view of the Military Assistance program as it was applied to Latin American countries -- they were diverting grant aid, they were getting around us, they were

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<sup>39/</sup> U. S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, pp. 592-593.



going to our allies when we turned them down. It is frequently difficult to pinpoint the genesis of legislation -- amendments and even laws find their origins in cloakroom conversations, unpublished debates in closed committee sessions, private staff memoranda, and lunchtime banter. Mr. Conte, however, in this dialogue with Mr. Kuss, has provided an inclusive glimpse of his philosophy vis-a-vis the application of military assistance to the underdeveloped countries; particularly to those of Latin America. By the end of the year he would seize a chance to codify that philosophy in the form of legislative restraint on the Military Assistance Program. This exchange with Mr. Kuss illustrates the Conte diagnosis of one of the ills of the program -- the legislation that followed would represent his idea of an appropriate cure.

#### Review of Arms Sales

Although Dr. Bader tells us that there was, at that time, "remarkably little communication between the relevant staffs," it is evident that his staff study had reached the Subcommittee on Foreign Operations and Related Agencies -- at least Mr. Conte was cognizant of it.<sup>40</sup> He now gave Mr. Kuss an opportunity to respond to part of that study.

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<sup>40/</sup> William B. Bader letter dated November 2nd, 1971, p. 2.



MR. CONTE. I am sure you are familiar with the recent study of arms sales and foreign policy prepared for the Senate Foreign Relations Committee of the 90th Congress, first session. The following statement is made in the study:

On the question of the arms sales and U. S. relations with European allies the central fact is that while the financial success of U. S. military sales is beyond dispute, there is ample reason for concern as to the side effects of the vigorous sales campaign. American sales efforts have been a source of great irritation in Europe, particularly in West Germany and Great Britain. It may also be a major cause of increasing interest of Europeans in competing for arms markets in developing regions of the world.

The report also states that in practice it does not believe we presently have an operation adequate in inter-departmental coordination and supervision of a national policy of arms sales taking into full account the military, political, economic, and arms control implications of our expanding sales program. Could you comment on both of these positions?

MR. KUSS. Let me speak first to the serious question which both we and the Disarmament Committee under Senator Gore have been studying, and that is the adequacy of the machinery to review arms sales. We have reported to that committee all of the extensive machinery that exists today. We have noted to that committee what our standards are in selling equipment. . . . In coordination with all government agencies, we reported to that committee that every proposed sale is consonant with overall policy established by the Department of State or specifically subjected to a careful and thorough review within the U. S. Government before negotiation is initiated. . . . These reviews are conducted at very high levels of government. Secretary McNamara, himself, personally has reviewed almost all of the important sales.<sup>41</sup>

It is noteworthy that this initial portion of Mr. Kuss' response is an exact repetition of Assistant Secretary McNaughton's opening

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<sup>41</sup>/ U. S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, pp. 595-596.





statement before the Gore subcommittee on February 7, 1967. (Mr. Kuss is not quoted here in full in order to avoid redundancy -- Mr. McNaughton's statement is quoted at length in Chapter III. ). The difficulty of coordinating the individual testimonies of administration witnesses (so as to provide a united and coherent front before the Congress) would plague the executive branch throughout the year, but Mr. Kuss would do his best not to contribute to that difficulty -- he would use the "golden words" (in the Pentagon vernacular) of his superiors whenever he could. Having reaffirmed his department's position on policy review, Mr. Kuss continued,

With respect to the first part of your statement, this is not an element that the committee the Gore subcommittee has gone into at all. You will recall this was a staff study. You will recall that principal substantiation of that statement was taken from European newspapers, and not really from statements of responsible officials of those governments. . . . I can only say don't listen to the losers in the newspapers. The fact is that those countries spend 75 percent or more of their total hardware budgets in their own countries, not in the United States. So we are not taking all of their program away either. Italics supplied. <sup>42</sup>

### "Preemptive Selling"

Apparently, much of Dr. Bader's staff study had impressed Congressman Conte. The charge of preemptive selling particularly

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<sup>42/</sup> U. S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, p. 596.





interested him -- he had asked Secretary McNamara about it and now he wanted Mr. Kuss' point of view.

MR. CONTE. . . . could you tell us whether, in your opinion, the concept of preemptive selling of military arms is compatible with being able to achieve a successful arms control program?

MR. KUSS. . . . with respect to preemptive selling, I think it is best to just state what Assistant Secretary John McNaughton stated to the Gore committee on disarmament in this matter. He said those of us who are concerned with guiding and directing U.S. foreign policy must, with respect to arms competition, draw a sharp distinction between other free world competitors and those from major Communist countries.

In the case of Israel, which he had mentioned also, our action was prompted by a heavy infusion of Communist equipment to neighboring states. Our primary answer to the suggestion that we are seeking to preempt our European friends and allies in various military markets is that we do not ask any country to buy anything from us which it can buy cheaper or better elsewhere. We believe that preemption is necessary only where it is for the purpose of preventing a radical shift in Communist influence. We do not use preemptive methods for the other countries of the world.<sup>43</sup>

#### Conventional Weapons "Free Zones"

Another point raised in Dr. Bader's study prompted Congressman Conte's next question.

MR. CONTE. What is your opinion of the recommendation in the early staff study prepared for the Senate Foreign Relations Committee that the United States should take

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<sup>43/</sup> U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, p. 597.



the initiative in organizing regional conventional weapons "free zones" or zones that would be free of sophisticated offensive and defensive weapons? The report cited sub-Saharan Africa and Latin America as possible places for such zones.

MR. KUSS. The United States has attempted this many times.

MR. CONTE. We may have attempted it, but we haven't gotten very far.

MR. KUSS. It is a big difference to attempt and to achieve.

MR. CONTE. Can you name one free zone in sub-Saharan Africa or Latin America?

MR. KUSS. No, I can't.<sup>44</sup>

Congressman Conte may well have drawn the conclusion from this conversation that the executive branch was either insincere about its desire to see such "free zones" become a reality or else, was hopelessly ineffective in bringing such zones about -- he may also have concluded that the Congress must take a hand if the underdeveloped nations were to be spared the burden of further arms acquisitions.

#### Arms Sales Clearances

Mr. Kuss had testified that neither he nor any of his associates were bag carrying arms merchants. Congressman Conte had let the point pass unchallenged, however, the subcommittee chairman wanted

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<sup>44</sup>/ U. S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, pp. 597-598.



to know if other salesmen might be on the move -- under the auspices of Mr. Kuss and his office.

MR. PASSMAN. Do you permit factory representatives of small arms and major arms manufacturers to go abroad to contact foreign nationals and so on, and speak to the merits of their products?

MR. KUSS. If they have a munitions control clearance from the Department of State, yes.

MR. PASSMAN. I would assume they would have to have that, but they are permitted to go abroad and sell their hardware?

MR. KUSS. Yes.

MR. PASSMAN. Does that create a demand within itself?

MR. KUSS. Well, for example, we don't permit them -- one of the reasons many of them are complaining is that we don't permit them to go to Latin America.

MR. PASSMAN. I didn't say permit them to go to Latin America. I asked a general question, if there is a policy to give clearance to let them go abroad and demonstrate and discuss the merits of their hardware?

MR. KUSS. If we didn't want to sell the thing on the first place, we wouldn't give them the clearance, Mr. Chairman.

MR. PASSMAN. That is an evasive answer. ... Do you have any cases where you have given clearance for them to go abroad?

MR. KUSS. U.S. representatives have been given clearance. That is what one of the primary functions of munitions control is, to give that clearance.

MR. PASSMAN. I am trying to find out whether there has been any clearance given to factory representatives to go abroad to contact prospective purchasers of our hardware? */Italics supplied./*





MR. KUSS. Every day. Thousands. /Italics supplied./<sup>45</sup>

Congressman Passman and Mr. Kuss were still communicating with difficulty, but, through persistence, the congressman was getting the answers that he wanted. With thousands of arms salesmen "on the street" it was obvious why Mr. Kuss didn't have to resort to carrying a bag. The fact that these salesmen where formally authorized by the Government of the United States to pursue such sales must certainly have enhanced their stature among their competitors. The subcommittee chairman next asked whether or not such extensive salesmanship created a demand for military equipment.

MR. KUSS. It created a demand only if we approved it for countries in which there was a demand in the first place.

MR. PASSMAN. The demand may be there and you disapprove it, but that within itself, would it create a demand on the part of the foreign government to buy it?

MR. KUSS. No, sir. /Italics supplied./

MR. PASSMAN. That would be the most unusual thing I ever heard of then. If you show something to an individual that he actually likes and wants, the very fact that it might be disapproved doesn't stop the demand or desire. /Italics supplied./<sup>46</sup>

Mr. Kuss had asked the subcommittee to believe that the United

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<sup>45/</sup> U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, p. 598.

<sup>46/</sup> Ibid., pp. 598-599.



States would disapprove a sale of arms, the display of which had been undertaken with the authorization of the Munitions Control Board of the Department of State. It is the salesman's function to tantalize prospective buyers with the obvious goal of making sales. If the administration was, indeed, loosing "thousands" of salesmen on an "every day" basis, and then disapproving the demands which these merchants stirred up, it was following a procedure both foolish and cruel. Mr. Kuss and his superiors had frequently made the claim that the administration had, in the past, disapproved from three to five times as many requests for arms sales as they had approved. If the procedure now described by Mr. Kuss was, in fact, in effect, it is hardly surprising that the claimed record of disapprovals had reached such proportions.

It must have occurred to Mr. Kuss that he had been pressed into making a statement which might well be exploited to the administration's disadvantage. Within a few minutes he asked the chairman's permission to correct the record, Congressman Passman replied,

MR. PASSMAN. Positively. If I reach the point where I could not be fair with any witness or member, I would quit. What was it?

MR. KUSS. You asked me the number of munitions control cases that we approve daily and I flippantly gave you an answer.

MR. PASSMAN. Thousands.

MR. KUSS. Thousands.



MR. PASSMAN. You want to change it to "many?"

MR. KUSS. I called the "horse's mouth" so to speak, the Department of State Office of Munitions Control, and they average in their statistics, up to about 100 per day.  
/Italics supplied./<sup>47</sup>

While it was probably apparent to the subcommittee that the figure of "thousands" first given by Mr. Kuss was likely a gross exaggeration induced by their chairman's persistent questioning, the firm figure of 100 per day must have had real impact. A solid admission by the executive branch that it was authorizing something over 30,000 arms sales efforts each year could only beg some alarming conclusions. The potential demands for weapons which might be generated through these efforts could be enormous. If the demands responded in proportion to such an apparently intense sales program how could any governmental machinery hope to conduct really effective reviews, to coordinate, to supervise, or to execute any sort of meaningful policy control? It may well have seemed to the subcommittee members that any administration plan for arms sales decision making would be ambitious indeed if it were not to be overwhelmed by the fruits of the labors of the arms merchants.

Congressman Passman was moved at this point to deliver a little homily on the subject of salesmanship. He had operated three small companies, he said, and had employed 57 salesmen. "It was not

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<sup>47/</sup> U. S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, pp. 610-611.





unusual," according to the congressman, "for one of my men to go into some food store, maybe a small store, where the man had given no idea whatsoever about buying new refrigeration equipment. Invariably before my man left there . . . he had not only sold this man equipment that he had given no thought to buying that morning, but he had oversold the man."<sup>48</sup> There was an analogy with the sale of military equipment.

MR. PASSMAN. When you get these people to thinking of and talking about military hardware in all probability they start thinking about what you say may happen and they might find many uses. It is perfectly obvious that the sale of military hardware, that is the manufacture and sale of military hardware, has been built into our economy, almost as firmly as the manufacture of refrigerators, washing machines, and television. Those people are in business primarily to get a return on their investment so they can pay a dividend to their stockholders and make a profit.

If you have a hundred men that are licensed to go out per day into foreign countries and offer their goods and services you have people thinking about that. A good salesman would always think in terms of selling the maximum, not the minimum; so upon that basis certainly the Defense Department would not have to send out salesmen. The manufacturer will do that, because he wants to make a profit. . . .

What would happen if you kept these salesmen home, these people to whom you give permission to go out and sell their military hardware? Why don't you keep them home instead of letting them out and getting these foreign procurement officials' minds on the military hardware? You know it is only natural that they are going to recommend the largest figure. What would be the answer if you were to wait until these people came

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<sup>48</sup>/ U. S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, p. 611.





to you or the Defense Department for consideration of their requirements? Do you think you could possibly slow this down and get people's minds on something else, other than on wars? I do not think we will ever get this world out of a state of turmoil as long as this Nation, my Nation, our Nation, and other industrialized nations, are making and selling military hardware as a part of their economy. ...

MR. KUSS. ... let me say that if your salesmen had gone into that store the small food store of the homily and found we also had an ambassador there and we also had an attache and we also had a MAAG Military Assistance Advisory Group chief, and we also had a political attache with whom your salesman had to check in while they were dealing with that country, they would be considerably slowed down, particularly if they had to check what they were about to say to the country or to the customer, particularly if they had to come under very direct and observant control.

MR. PASSMAN. Do you send the ambassador out with these salesmen when they call on the prospective buyer?

MR. KUSS. We ask all of these salesmen -- first of all, these hundred a day do not all involve people going abroad, these are approvals of export sales, commercial export sales. Some of them will never involve a person going abroad. It may involve a man sending in a requisition to United Aircraft for a spare part. So only some of this might involve going abroad. But those that do go abroad -- and it is a very small portion of our total sales that result from this, believe me -- most of it results from ambassadorial, Secretary of Defense, Government actions. /Italics supplied. /49

After having first told the subcommittee that clearances granted to factory representatives to go abroad to contact prospective purchasers of military equipment numbered "thousands" per day -- and then amending that to "about 100 per day" -- Mr. Kuss' explanation



about spare parts requisitions was, unfortunately, somewhat belated. Moreover, he had now identified the ambassadors as bag carriers. In fairness to Mr. Kuss, it should be recalled that 90 percent of the arms sales which had been concluded were made to industrialized countries and many were of such magnitude that they could hardly have escaped the attention of the American ambassadors, the attaches, and all the rest of American officials in-country. Whether these sales were made subject to the approval or recommendation of these officials, or whether the officials themselves were actively involved as sales representatives was, unfortunately, left unclear by Mr. Kuss -- the subcommittee members were to draw their own conclusions from his testimony. In point of fact, the United States Government had established a Defense Attache's Office in each of these countries wherein the United States had arms sales interests and wherein there were not already Military Assistance Advisory Groups (or Military Groups, in the cases of Latin American countries). Either the DAO or the MAAG served as the point of contact for all arms sales transactions. In each case, the ambassador exercised personal jurisdiction over the activities of the DAO or MAAG within the country to which he was the United States representative. The extent to which the ambassadors became involved in arms sales varied from country to country and from sale to sale; ranging from intimately in the case of F-111's to Britain or Australia, P-3 maritime patrol aircraft to the Netherlands, or armored cars to Bolivia to very slightly or not at all



in the case of avionics to Japan or vehicular spares to Norway. By oversimplifying the established sales procedures Mr. Kuss probably unduly confused the subcommittee members and, thereby, did the Military Assistance Program serious disservice. The image of hundreds of arms merchants, supported by an auxiliary of ambassadors, overselling United States military equipment to clients -- frequently like the small food store owner, gullible and broke -- would stick from then on.

#### Congressman Passman's Concerns

MR. PASSMAN. You people are involved in the sale of military hardware, directly or indirectly, and it will go on as long as you have a U.S. military aid program going in 60 nations. Just so long we are going to stay in a state of turmoil in my opinion. I am going to say for the record that time and time again we have had witnesses before this committee saying, yes; they should not get this, but it is a political decision and if we are going to get along we are going to have to yield to them and furnish certain types of military equipment. . . . But the aid bill grows every year. It had been so fragmentized that the confusers are now confusing themselves. I will tell you it takes a lot of research to put all these pieces together. Now you are fragmentizing military assistance and I have to work overtime to pick up these programs for Thailand, Laos, Infrastructure, and International Military Headquarters to try and get a grand total so we will have something to compare this year's cost against last year's cost.

MR. KUSS. I remember your complaints in 1955.

MR. PASSMAN. They are not my complaints. It is Mr.





and Mrs. America's complaints. [Italics supplied.] 50

Throughout their encounter, Mr. Kuss and Congressman Passman had responded to each other as adversaries. Mr. Kuss had described some of his own testimony as flippant -- it was obvious that he regarded the subcommittee chairman as more of a nuisance than a threat. Like his superior, Secretary McNamara, Mr. Kuss had not yet sensed "the mood of the Congress." As he finished his testimony, Congressman Passman let him glimpse this mood.

MR. PASSMAN. I think you are a great administrator, and a great American, but I am going to make your job as hard as I can for you. You don't mind that, do you?  
[Italics supplied.]

MR. KUSS. [Still flippant] I think it helps. I think it helps. There is nothing like competition  
[Italics supplied.] 51

To a professional salesman such as Mr. Kuss, making his job harder simply meant increasing the competition, a threat which he could understand within his own frame of reference. Congress, however, did not deal within that frame of reference -- Congress dealt in fiat. Congressman Passman and his colleagues had the power to emasculate Mr. Kuss' program, if not Mr. Kuss himself. They would do so by the end of the year.

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50/ U. S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, p. 613.

51/ Ibid., pp. 614-615.



## Functional Control of Military Assistance

The attention of the subcommittee now turned exclusively to Vice

Admiral Heinz. Mr. Conte inquired of the Admiral as to the functional control of his program.

MR. CONTE. Would you describe the evaluation procedures that exist for determining whether the goals and objectives of our individual military assistance program<sup>s</sup> are being met and also for determining that the appropriations are being put to use in the manner intended?

ADMIRAL HEINZ. The mechanics of the evaluation normally are tied to the annual MAP planning and programming procedures, although special appraisals are frequently required by those conducting day-to-day affairs. This continuing evaluation also provides the basis for program adjustments as required when goals and objectives change or are modified.

In the normal planning cycle, U.S. objectives, policy guidance, and dollar guidelines are first provided the Unified Commands [Commander in Chief Europe, Commander in Chief Pacific, Commander in Chief Middle East, Africa, and South Asia, and Commander in Chief Southern Command (Latin America)] and the Country Teams. The country MAAG's then prepare various papers for inclosure in a formal military assistance plan. These papers, which are coordinated with the respective U.S. diplomatic missions, include the following subjects relative to an evaluation of past performance and accomplishments:

(a) Plan objectives and the contribution of military assistance to the accomplishment of U.S. objectives.

(b) A discussion of wherein various objectives have been met.

(c) A discussion of local efforts to meet their own military requirements.

The country plans are then forwarded to the Unified Command, where they are considered from the regional point of view. Next they are sent to Washington and reviewed by DOD, State, AID, and the Bureau of the Budget prior to final formulation of the Executive Branch's presentation to the Congress.



The foregoing outlines the normal procedures relative to evaluating the goals and objectives of individual programs. While these procedures also bear on the problem of appropriations "being put to use in the manner intended," there are other more specific actions which apply to the latter problem. These are:

(a) DOD internal audits: On a regular schedule auditors from the military departments check specific country programs or functions. These audits are developed, planned, and sometimes performed by the MAP Audit Division, OSD /Office of the Secretary of Defense/ Comptroller.

(b) Inspector General, foreign assistance inspections: The Inspector General, foreign assistance, operating out of the Department of State, includes military assistance matters in his comprehensive audits and inspections of foreign assistance programs.

(c) GAO /Government Accounting Office/ comprehensive audits: These comprehensive audits specifically review the results of a program in the light of legislation and the intended purpose of the program.

In all three of these cases, the audit or inspection reports require investigation and comment by the pertinent activities and, if valid discrepancies have been uncovered, then corrective action is instituted.<sup>52</sup>

### Justification of Military Assistance Items

From Admiral Heinz' long and authoritative response, one would gather that the problem of accountability throughout the administration of the Military Assistance Program was completely in hand. Doubtless, the Director of Military Assistance was anxious for the congressmen to understand that this was the case.

While it is obviously one thing to appear before the Congress and pontificate to the effect that one's program is managed with great care

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<sup>52/</sup> U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, pp. 635-636.





and at the highest levels of the government, it is quite another thing to be forced to defend and to justify each of the thousands of line items which comprise the program. Admiral Heinz had gone to lengths to impress upon the subcommittee that the Military Assistance Program was guarded to insure that appropriations were "being put to use in the manner intended." Chairman Passman and his colleagues could not resist testing the Admiral. When it became apparent that they had uncovered an area wherein management techniques seemed to have slackened and where legitimacy of expense seemed open to question they made the most of the situation.

MR. PASSMAN. Do you have in your 1968 program 25 sedans for Iran?

ADMIRAL HEINZ. There are 25 contained in the fiscal year 1968 program.

MR. PASSMAN. What is a sedan used for in the way of military purposes?

ADMIRAL HEINZ. The major use in Iran is for the Iranian gendarmerie.

MR. PASSMAN. You are charging these vehicles to the Iran program?

ADMIRAL HEINZ. Yes, sir.

MR. PASSMAN. Are they all Cadillacs?

ADMIRAL HEINZ. We do not buy any Cadillacs. These are small sedans.

MR. PASSMAN. If we can, let's put in the record at this point the make of the 44 automobiles provided to Iran under MAP for the previous year. If there are any Lincoln Continentals let them be included.





ADMIRAL HEINZ. There are no Lincoln Continentals.  
[Italics supplied.]

MR. PASSMAN. What are the names? . . . Do you not know the names of the automobiles you get for Iran?

ADMIRAL HEINZ. I tell the Army I need to requisition so many vehicles of a certain type. The procurement authorities then put out a bid for the contract. It may be won by American Motors or Ford or Chevrolet.

MR. PASSMAN. How do you know there are no Cadillacs if you do not know the names? . . . Will you please furnish for the record the make of these sedans?

ADMIRAL HEINZ. I will do that.  
 (The information follows:)

The last sedans delivered under MAP for Iran were Plymouth, light sedans, at a procurement cost of \$1432 each.

MR. PASSMAN. Admiral, do you not think that Iran with its oil revenue exceeding \$500 million annually, could pay for these sedans?

ADMIRAL HEINZ. They could pay for them.

MR. PASSMAN. Thank you very much, Admiral.<sup>53</sup>

The chairman of the subcommittee may have satisfied himself that some point had been made concerning possible waste of grant aid appropriations, but this line of questioning aroused Congressman Conte, who, it seems, had noticed that Admiral Heinz might be vulnerable about item justification.

MR. CONTE. In regard to these automobiles, how many automobiles have we given to the Iranian Government?

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<sup>53/</sup> U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, pp. 666-667.



This is ridiculous.

ADMIRAL HEINZ. Are you talking about all vehicles?

MR. CONTE. All right, let's discuss the question of all vehicles. Give us a breakdown. I thought they were just sedans. But it seems there are more than sedans.

ADMIRAL HEINZ. I will have to supply that for the record, since I do not have the total cost for vehicles broken out.

(The information follows:)

Under the grant aid Military Assistance Program, the total cost for the 20,888 vehicles, all types, delivered to Iran as of 30 June 1966 is \$78,051,000.

MR. CONTE. These are all trucks given to the Iranians?

ADMIRAL HEINZ. Deliveries under the grant-aid program.

MR. PASSMAN. [Interjecting] Did we have our factory representatives in Iran working these things out for them -- helping them establish a need and the quantity?

ADMIRAL HEINZ. This is done by the MAAG.

MR. PASSMAN. This is a beautiful picture. It looks as if somebody got a lot of business. <sup>54</sup>

Having found the witness to be cooperative despite the direction of the questioning, Mr. Conte pressed on with reference to other line items -- among them, shotguns.

MR. CONTE. I notice that during that period of time, Admiral, [assumed to be 1954-1967], we have given them 24 shotguns. This year, Mr. Chairman, we have two shotguns in the program. Is that for some general

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<sup>54/</sup> U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, pp. 668-670.



out there going on a safari?

ADMIRAL HEINZ. No, sir.

MR. CONTE. Why two shotguns?

ADMIRAL HEINZ. These are for riot control purposes. If you will recall, we support the gendarmerie which has internal security as its mission. Some of them are equipped with shotguns. These are all short-barreled riot guns.

MR. CONTE. Admiral, I can visualize that and understand it, but what are two shotguns going to do to put down a riot? It looks like some person wants a shotgun. What are those guns?

ADMIRAL HEINZ. I do not have the gage.

MR. CONTE. Let's get it for the record. I want the trade name and the caliber.

ADMIRAL HEINZ. If we could find it.

MR. CONTE. Why can't we find it? We are paying for it. . . . This is utterly fantastic. They must have some clay pigeons down there and are doing a little practicing. . . . We delivered 16,000 rounds of ammunition for those shotguns, and they are asking for 5,000 shotgun shells in this budget. That is 21,000 rounds of shotgun shells for 20 shotguns [sic. there were 24]. That covers a lot of clay pigeons. Their shoulders must be black and blue.

MR. PASSMAN. [Interjecting] We will admit diversion is one of the healthiest things in the world. So we won't become bored, let's sidetrack a bit: What is some of the game they have out there? They have quail and dove, do they not?

ADMIRAL HEINZ. I do not admit that there was any diversion [Italics supplied].

MR. PASSMAN. I didn't ask you to admit it. I asked you, or do any of your supporting witnesses know, what





kind of game they have? Is it quail or partridges?

ADMIRAL HEINZ. I do not know, nor do I admit that any of this was used for that.

MR. CONTE. They are not shooting each other. I haven't heard of any riots out there where they would be using shotguns. What else do you use them for?

ADMIRAL HEINZ. It is also used for training. I have used a shotgun and our people use shotguns for target practice.

MR. CONTE. Tell me how you use it in training: with clay pigeons?

ADMIRAL HEINZ. Yes, clay pigeons.

MR. PASSMAN. That is good enough.

ADMIRAL HEINZ. This is not diversion, I say this is training. /Italics supplied./

MR. CONTE. They must have a nice little gun club out there.

ADMIRAL HEINZ. They may have, but none of this goes to gun clubs.

MR. PASSMAN. You would not mind our checking? /Italics supplied./

ADMIRAL HEINZ. No.

MR. PASSMAN. If we find out there is good hunting out there --

ADMIRAL HEINZ. If they go hunting they buy their own ammunition for that.

MR. PASSMAN. You do not know if they had any other shotguns?

ADMIRAL HEINZ. I presume they had other shotguns. . . . Any force of this size, particularly the gendarmery, should have many shotguns because it is a primary riot



control weapon.

MR. PASSMAN. There would not be any objection to the MAAG officers using these shotguns if they wanted to, would there?

ADMIRAL HEINZ. Yes, there would be. These are for the Iranian forces.

MR. PASSMAN. How much money are you requesting for these two guns this year, Admiral?

ADMIRAL HEINZ. I will not be able to give you this information until they are delivered.

MR. PASSMAN. But you should know how much funds you are requesting for these two shotguns.

MR. RIEGLE. [Congressman Donald W. Riegle (R - Mich.)] Have you found out if there are any duck calls or decoys or anything like that in here, too?

MR. PASSMAN. Not yet. [Italics supplied.] ...

MR. CONTE. You will have to agree with me, Admiral, that a shotgun is a good weapon to use in riot control in any country in the world.

ADMIRAL HEINZ. Yes.

MR. CONTE. How does it happen you have only two shotguns in your entire military equipment program last year, and those two were for Iran? Why didn't these other countries who have problems even greater than those in Iran, ask for shotguns and get them?

ADMIRAL HEINZ. We support the Iranian Gendarmerie, it is one of the few internal security forces that MAP does support. We have had advisers to the gendarmery since 1947. I can determine the basis for programing these particular shotguns. I will find out.

MR. RIEGLE. The thing that is amazing to me is this: let's say there are other shotguns in their arsenal that they have gotten somewhere else. They have purchased them; someone has given them to Iran; or they have been



there for years or what have you. If that is the case, I can't see what possible good our two would be. It is such a ridiculously small number.

MR. PASSMAN. Let the record show that the two guns allocated to Iran for fiscal year 1967 were 12 gage, a very popular hunting gun.

ADMIRAL HEINZ. They were not provided for hunting, but for riot control. /Italics supplied./

MR. PASSMAN. Let the record show the admiral is assuming they are not used for hunting, but he has that right. /Italics supplied./

(The following information was subsequently provided:)

The United States has provided 24 twelve gauge riot control shotguns to Iran under the Military Assistance Program. Two more riot control guns have been proposed for inclusion in the FY 1968 program. These 26 will be the only riot control shotguns in the inventory of the Imperial Iranian armed forces and the Imperial Iranian Gendarmerie. Iran has not purchased shotguns from other sources. MAP-supplied ammunition has been used only in MAP-provided weapons, and has been provided for training and necessary stockage. Necessary quantities of ammunition have been provided over the past 13 years for riot control training. Training procedures for riot control personnel require the expenditure of ammunition for training purposes for each guard annually.

The shotguns we have provided under the Iran military assistance program have been Riot Type, 12-Gauge, 20-inch Barrel, Stevens and Winchester models. /Italics supplied./ 55

It would not be fair to assume that the congressmen hoped to discredit a budget request of \$596 million on the strength of two shotguns, or some sedans -- rather, it is likely that they simply wanted to signal

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55/ U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, pp. 672-680.



the administration that they would no longer accept the Military Assistance Program at its face value, that they were aware that it contained imperfections, and that, if they chose, they could exploit those imperfections to the embarrassment of the executive branch.

### Military Assistance to North Africa

There were two points which Chairman Passman wished to explore with Vice Admiral Heinz before he would allow the Director of Military Assistance to withdraw. The first was the dilemma of economic and military assistance to North African countries -- the same problem which Secretary McNamara had explained away in terms of filling vacuums.

MR. PASSMAN. If you ever get to where you understand this puzzle, muddle, or mulligan stew, you let me in on it so I will understand it also. We are giving military assistance to Morocco and Tunisia -- and we have given Algeria since the inception of the program, \$179,400,000. We have an economic aid program going on now in Algeria. It is pretty hard to reconcile where and why you are pouring in this amount of money to various countries. . . . They buy military equipment from Russia but we have an economic aid program for Algeria, do we not?

ADMIRAL HEINZ. We do. A very minor self-help program.

MRS. HANSEN. [Congresswoman Julia B. Hansen (D - Wash.)]. If Algeria were to take the money with which she is buying military equipment from Soviet Russia and put it into her economy, she would not have to have so much aid?

ADMIRAL HEINZ. On the face of it, that is correct, however, there may be other considerations.





MRS. HANSEN. Why on earth don't we say that?

ADMIRAL HEINZ. Since I am not responsible for the economic assistance program, I can't discuss those considerations. /Italics supplied./

MR. PASSMAN. It is just as confusing as it can be. Sound logic and common sense cannot explain this program. It must take something else. I do not know what it is, but you are fattening them up with economic assistance which releases their foreign exchange to purchase arms from Russia to fight other nations. that we are giving military equipment to. It is as confusing as mischief. I believe we need to have the AID and military people together in this room to try to explain this program.

I am afraid that there is a wall down the middle of the street and neither you nor AID can see through it. /Italics supplied./ 56

High level coordination had been repeatedly stressed by officials of the administration as a pillar of the Military Assistance Program. Decisions, such as certain of those on arms sales, were supposed to have been reached only after cautious review by the Senior Interdepartmental Group (which was chaired by the Under Secretary of State), by Cabinet members, or even by the President. Now, the Director of Military Assistance found himself unable to discuss the considerations underlying an economic assistance program which obviously seemed to be functioning at cross-purpose with his own. Was it possible that the Director of Military Assistance and the Administrator of the Agency for International Development (the two of whom were responsible for

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56/ U. S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, pp. 723-724.



managing their respective portions of foreign assistance) did not consult with each other on country programs. This would have been the proper time to make a strong case that they did, in fact, consult and that the North African dilemma, despite appearances, could really be resolved along logical lines. Vice Admiral Heinz either could not, or would not make such a case -- he made no response to Congressman Passman's analogy about a wall obscuring the goals of one agency from another. If the admiral remained silent simply because he felt some jurisdictional inhibition about discussing another agency's program, then events would show that he had done a disservice to both programs. The Passman subcommittee would leave the hearing certain that, at least in North Africa, the two arms of foreign assistance were wasting effort struggling with each other.

#### Military Assistance Training

The last point which Congressman Passman wished to make concerned the exposure of representatives of underdeveloped countries to modern military equipment.

MR. PASSMAN. I notice you are budgeting . . . for the orientation and training for distinguished personnel in the military forces of the emerging African nations. . . . These would be the top echelon military people?

ADMIRAL HEINZ. Yes, sir.

MR. PASSMAN. That is what I thought. I want to repeat some rural logic. When you talk about going fishing, you want to go fishing. When you talk about going hunting,



you want to go hunting. When you start talking about a vacation, you start planning a trip. I think you ought to spend this money for something else. Remember: From little acorns big trees grow. . . . Aren't you frightened to start this new program of bringing these people from Africa to the United States and exposing them to all the modern weapons around our military bases in this country? Do you not think they will go back with their appetite all whetted up for these sophisticated weapons?

ADMIRAL HEINZ. No, sir; I do not.

MR. PASSMAN. If you actually feel that way, God bless you. It is as sure to lead us into trouble as can be. I say, leave them home.<sup>57</sup>

With this advice, Congressman Passman completed the substantive portion of his subcommittee's hearings on the proposed budget for military assistance -- it would be seven months before his report would be brought before the Congress. The amendments recommended by that report would indicate the impressions made upon the subcommittee members by the Secretary of Defense and his subordinates, Mr. Kuss and Vice Admiral Heinz, in their defense of the Military Assistance Program. Where they had failed to appreciate the seriousness of congressional interest; where they had misread the mood of their congressional audience; where they had stated their case ineffectually, or not at all, they would discover that they had lost the cause of a strong Military Assistance Program and had possibly forfeited some executive hegemony in the making of foreign policy.

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<sup>57/</sup> U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, pp. 726-729.





## HEARINGS BEFORE THE HOUSE COMMITTEE ON FOREIGN AFFAIRS

On the same day, April 4, 1967, that Secretary McNamara appeared before Congressman Passman's subcommittee, the House Committee on Foreign Affairs began its review of the draft Foreign Assistance Act of 1967. The bill under consideration (H. R. 7099) would provide authorization for the annual amendments to the Foreign Assistance Act of 1961. Chairman of the Foreign Affairs Committee, Congressman Thomas E. Morgan (D - Penn.) approached the annual addressal of foreign economic and military assistance in much less combative fashion than did Congressman Passman. If, in fact, the mood of the Congress was darkening in regard to the administration's conduct of foreign policy, much change would be hardly perceptible in the reception accorded witnesses by Chairman Morgan and his committee members.

The review of proposed amendments to the Military Assistance Program was, each year, accomplished by the Foreign Affairs Committee with a certain degree of pomp and circumstance. The Secretary of Defense, Robert S. McNamara, when he made his appearance to testify, was accompanied by the Chairman of the Joint Chiefs of Staff, General Earle G. Wheeler, U.S. Army, and these gentlemen were more entertained than interrogated. <sup>58</sup> Vice Admiral L. C. Heinz, the Director

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<sup>58/</sup> Secretary McNamara and General Wheeler appeared on two separate occasions before this committee during the course of its hearings in order to provide all of its members an opportunity to pose questions.



of Military Assistance, appeared on five separate occasions -- and he was not once harassed about shotguns or sedans. Each of the Unified Commanders appeared, flown in from their own particular fiefs to testify on the merits of the Military Assistance Program.

Admiral U.S.G. Sharp, Commander in Chief, Pacific; General T.J. Conway, Commander in Chief, Middle East, Africa, South Asia; General R.W. Porter, Jr., Commander in Chief, Southern Command /Latin America/; and, finally, General Lyman L. Lemnitzer, Supreme Allied Commander, Europe and Commander in Chief, European Command, each testified for a full day on the application of the program to their respective areas of responsibility. If the hearings conducted by the Foreign Affairs Committee lacked polimic heat, they were sufficiently star-studded to make up the loss.

It is noteworthy that neither Mr. Henry Kuss nor his immediate superior Mr. McNaughton were asked to testify. If any of the committee members were aware of Dr. Bader's staff study or were seriously concerned with the problem of arms sales, the record of hearings shows no evidence of such interest -- no witness was bedeviled on this issue. It is curious that the staff study which, according to Dr. Bader, "was given no special distribution," made no discernible impact on any of the 36 members of the Foreign Affairs Committee -- the House counterparts of the Foreign Relations Committee members -- whereas Congressman Conte, member of the relatively remote Subcommittee on Foreign Operations and Related Agencies of the



House Committee on Appropriations, was already, on this date, fully armed with the document. Queried as to whether Mr. Conte, whose antipathy towards the conduct of the Military Assistance Program was generally known, was deliberately fuzed, Dr. Bader replied that "there was remarkably little communication between the relevant staffs" and that he, Bader, "was not aware of the Conte-Long amendment" (which was later devised to restrain the Military Assistance Program).<sup>59</sup>

#### Testimony of the Secretary of Defense

Secretary McNamara began his testimony before the Foreign Affairs Committee on April 11, 1967, with essentially the same prepared statement which he had presented to the Passman subcommittee. Chairman Morgan had only one problem with the entire program as the Secretary of Defense proposed it -- he was concerned about the recommended transfers from the military assistance budget to the defense budget (Laos, Thailand, NATO Infrastructure, and International Military Headquarters).

CHAIRMAN MORGAN. I have heard through the executive grapevine that there is going to be an attempt to switch all military assistance to the Department of Defense budget. You have already made substantial progress in this direction.

Have you any comment, Mr. Secretary? Will we come here some morning and find that all military

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<sup>59/</sup> Bader letter dated November 2nd, 1971, pp. 1-2.





assistance has become part of the DOD budget?

SECRETARY McNAMARA. Mr. Chairman, I know of no such plan. As you know better than I, this is nothing that the administration could do unilaterally. This is a matter for the Congress to decide -- to decide it both in its assignment to committees of responsibilities for reviewing the program and to decide it in the form of the legislation in which it provides funds for the program.

In any case, I know of no plan on the part of the administration; and I would not recommend any such action to transfer what is properly military assistance from a separate budget into the regular defense budget. . . .

CHAIRMAN MORGAN. Mr. Secretary, there is a further rumor from the executive that you are tired of appearing before so many committees here on Capitol Hill and that if you could get all the MAP funds in the defense budget you would have to appear only before the Armed Services and Appropriations Committees. Is there any truth in that?

SECRETARY McNAMARA. I don't believe there is any truth in that. In the first place, as I say, we have no intention of recommending that the Military Assistance Program be transferred into the regular defense budget. Secondly, even if it were, my appearances before committees would not be reduced for two reasons: one, the defense committees would certainly want to spend as much time on the subject as your committees do; and two, the Foreign Affairs and Foreign Relations Committees will continue to have an interest in defense regardless of where the budget is lodged. I am sure you would want me to appear before you, and I would be delighted to do so. /Italics supplied. 60

Whether or not, for one reason or another, the Secretary of Defense might have been interested in a wholesale shift of military

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60/ U. S. Congress, House of Representatives, Foreign Assistance Act of 1967, Hearings Before the Committee on Foreign Affairs, 90th Congress, 1st session, (Washington: US Government Printing Office, 1967), pp. 122-123.





assistance to the defense budget, the two reasons he cited as evidence that no such shift was planned were not really sound. With a defense budget of approximately \$71 billion to consider it was highly unlikely that the "defense committees" (House and Senate Armed Services and the appropriate subcommittees of the House and Senate Appropriations Committees) would be willing or able to spend the same amount of time on a military assistance budget of \$596 million as did the Foreign Relations and Foreign Affairs Committees (or Congressman Passman's appropriations subcommittee). Secondly, as Secretary McNamara must certainly have known, it is one thing to "have an interest in defense" and it is quite another to have committee responsibility for a bill. The initiative in questioning witnesses, in making amendments, and in bringing a bill to the floor of the Congress for a vote resides with the cognizant committee. A committee that relinquishes jurisdiction loses some of its power and becomes a "looker-on." The difficulty of affecting a piece of legislation outside of normal committee prerogatives would be demonstrated later in the year by Congressman Conte.

#### Reduction in Military Assistance

Contrasted with the questions put to Secretary McNamara and his subordinates by the Passman subcommittee (and those raised by the Gore and Symington subcommittees) there were few inquiries by members of the Foreign Affairs Committee which could be described as hostile or



even unsympathetic. An example of one of the more difficult questions phrased by these apparently friendly congressmen is the following:

MR. FRELINGHUYSEN. [Congressman Peter H. B. Frelinghuysen, (R - N.J.)] ... you created an indelible impression on me a couple of years ago when you came here and argued for a minimum of a billion dollars in military aid. You said that you would have been asking for more except for the fact that Congress had made it crystal clear they were not going to give more. You added insult to injury at that time by saying that the billion dollars that had been made available the previous year was not enough to protect the national security. I think you used the words "jeopardized national security."

Now you seem to be taking pride in the fact that there is a reduction of over 50 percent in the amount of military aid which you are now requesting as compared to the amount available only 6 years ago. ... It is an about face which astonishes me, to tell you the truth.

SECRETARY McNAMARA. Mr. Frelinghuysen, it is a great temptation to rise to that bait. I think I will not. Other than to say --

MR. FRELINGHUYSEN. I believe it is safer to yield to temptation in a case like this, Mr. Secretary.

SECRETARY McNAMARA. (Continuing) Other than to say that at the same time when we were arguing very vehemently 3 or 4 years ago -- I think it was fiscal 1963 -- that the military assistance program had been seriously and adversely affected by the cuts of the Congress, I was telling you then ... that I felt we could reduce the military aid program to about a billion dollars by 1968 or 1969. I felt that way then; and, in effect, we have done so if you exclude the combat impact on Vietnam. But I repeat today what I said 3 or 4 years ago, that we were very seriously and adversely affected by the cuts at that time, but I won't resurrect the past to reargue it today.<sup>61</sup>

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<sup>61</sup>/ U.S. Congress, House of Representatives, Foreign Assistance Act of 1967, p. 134.



It had, of course, been common knowledge for some time that Secretary McNamara had, after considerable struggle, finally succeeded in imposing his will on the Joint Chiefs of Staff. In matters such as the military assistance budget the advice and recommendations of the Service Chiefs and of the Unified Commanders in the field was routinely subordinated to that of the Secretary's staff for Systems Analysis and International Security Affairs. Mr. Frelinghuysen now took advantage of the simultaneous appearance of both the Secretary and General Wheeler to probe slightly into their relationship.

MR. FRELINGHUYSEN. . . . General Wheeler has surprised me for being as mild as milk in accepting and going along with this figure /the \$596 million proposed for MAP/ which he describes simply as an absolute minimum and a bare minimum, adding that a reduction below the current levels would not be justified.

General Wheeler, you referred in your statement /given immediately after Secretary McNamara's and echoing the Secretary's statement/ . . . to the fact that the impact of continuing hostilities in Vietnam affects the probable availability of military assistance funds. Is this the reason why more funds were not requested? I would think the amounts involved would be relatively small and that if they were of sufficient importance you should not assume in the executive branch that Congress wouldn't respond to additional requests.

In other words, the pressure of Vietnam on the budget is of course inescapable, but that still doesn't avoid the necessity for you worrying about such matters as obsolescence of forces to which we have contributed substantially in the past, and their continuing importance to our own security, does it? <sup>62</sup>

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<sup>62/</sup> U. S. Congress, House of Representatives, Foreign Assistance Act of 1967, p. 134.





If Secretary McNamara had risen to Mr. Frelinghuysen's bait only with reluctance, it was now for General Wheeler to follow suit -- and he chose to respond in soldierly fashion.

GENERAL WHEELER. In dealing with the Military Assistance Program, Mr. Frelinghuysen, we do so in conjunction with the other elements of the Government. I pointed out on page 1 of my statement that the program has been drastically cut in recent years, and this reduction is a matter of serious concern to the Joint Chiefs of Staff.

On the final page, as you say, I was quite mild in saying this was the bare minimum of military aid that was required to further our national interest and the security of the free world. I think that is a true statement. I could use more colorful adjectives, I assure you. This matter has been discussed at great length within the Department of Defense. It has been discussed with the Department of State. These were the decisions that were made. I believe it is a true statement I have expressed here.  
*[Italics supplied.]*<sup>63</sup>

Despite his careful choice of words, some hint of the General's dissatisfaction with the budget request which had emerged from the Department of Defense's decision making apparatus came through. Nowhere else in all the testimony relevant to the Military Assistance Program in 1967 was there a glimpse of the dichotomy which existed between the military and civilian views within the Department of Defense of just how much military assistance was enough. The recommendations which the Joint Chiefs of Staff make annually to the Secretary of Defense in this regard are never made public. It is for the Secretary to

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<sup>63/</sup> U.S. Congress, House of Representatives, Foreign Assistance Act of 1967, pp. 134-135.



compromise between their military advice and the political liabilities of large budget requests. It is also for the Secretary to anticipate the response of the Congress and to mobilize the appropriate elements of the executive branch accordingly. Where that anticipation is faulty, or the mobilization ineffective or belated, it is the Secretary who is derelict. Whether or not the Service Chiefs enjoy their insulation from these responsibilities is irrelevant -- it is a fringe benefit of civilian control.

### Alternatives to Military Assistance

Congressman Armistead I. Selden (D - Ala.), while not critical of the Military Assistance Program himself, was aware that other members of the Congress were and he was curious about alternatives.

MR. SELDEN. Mr. Secretary, if the views of those who oppose this legislation were to prevail, and this program were to be eliminated, would it then be necessary to add additional funds to the military defense budget, and if so, how much?

SECRETARY McNAMARA. I think that would be one alternative we should consider. In certain areas of the world, it would be one we could undertake. In other cases, I think it would be impossible by any reasonable amount of expenditure to so strengthen our forces as to offset the failure to support other forces in the free world through the military aid program.

The result would be that we would either be forced to change our political commitments, or suffer substantial military risk because we were facing the potential threat of aggression and fulfillment of commitments without adequate means to meet them.



MR. SELDEN. Would you also say, however, that the cost would be considerably more?

SECRETARY McNAMARA. Yes. Very, very roughly it costs 5 to 10 times as much to support an American soldier as it does a soldier of one of the free world nations in the Middle East, Asia, or the Far East.

MR. SELDEN. Then you would not consider a vote to eliminate this program an economy vote?

SECRETARY McNAMARA. Quite the contrary. Even in the cases where we could substitute U.S. forces for foreign forces, the cost would far exceed the small amount we are asking for in this program.<sup>64</sup>

#### Arms sales Decision Making

Practically all of the questions asked of Secretary McNamara and General Wheeler were in the same vein as Congressman Selden's -- none really critical, some, in fact almost patronizing, and most phrased in such a way that the witnesses could insert in their responses as much official rationale in support of their program as they desired. The following is an example of the general tone of the hearing, and, aptly enough, touches on the controversial issue of arms sales.

MR. O'HARA [Congressman O'Hara (D - Ill.)] You state on page 23 of your presentation that our military sales are made either by the policy established by the State Department or after careful and thorough review within the U.S. Government, which you say is conducted at very high levels of government. What do you mean by that?

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<sup>64/</sup> U.S. Congress, House of Representatives, Foreign Assistance Act of 1967, p. 136.





SECRETARY McNAMARA. Quite frankly, the Secretary of State and I personally review the major military sales even though they appear to conform to policy, and any sales that appear not to conform to policy. We review them all. /Italics supplied./

MR. O'HARA. Briefly, couldn't we say that when the Secretary of Defense and the Secretary of State get together and come to an understanding that is the final determination?

SECRETARY McNAMARA. Yes; contrary to what one sometimes reads in the press, these military sales are not carried out without consultation with the State Department; and they are not carried out without the consideration of all the interests of the Government. They are not designed therefore, to advance some parochial interest of the Defense Department or some limited interest of a defense contractor. /Italics supplied./

MR. O'HARA. Mr. Secretary, I think that is a good thing for us to know. You are known as an intelligent, hard-driving and dedicated Cabinet member. The Secretary of State is known as an intelligent, hard-driving, dedicated public official, a member of the Cabinet. Neither of you is a "yes" man and you and Secretary Rusk do not always view things in the same way. Then you talk it out and reach a decision, I would say the decision is apt to be a wise decision and good for our country. Thank you.

SECRETARY McNAMARA. Thank you indeed, sir.<sup>65</sup>

If any of the committee members were aware of the correspondence which Senator Gore had received from the various heads of agencies (found at Appendix I ) indicating that, in the case of some

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<sup>65/</sup> U.S. Congress, House of Representatives, Foreign Assistance Act of 1967, pp. 139-140. Contrast this with Congressman Passman's handling of the Secretary of Defense.





important sales, neither the Senior Interdepartmental Group nor even the State Defense Coordinating Committee had participated in decision making (rendering it at least open to question whether the Secretaries of State and Defense had participated), none rose to challenge Secretary McNamara's claim that he had reviewed all "major military sales." In any case, the definition of what might constitute a "major" sale could have been a factor in this policy of personal review.

### Parochial Interests in Arms Sales

It may be of interest to discuss here what might constitute a "parochial interest of the Defense Department." The unit cost of large and expensive engines of war such as supersonic fighters or dual-capable (fighter-bomber) high performance aircraft, or warships, or modern tanks has significant impact on the numbers which can be purchased with any reasonable defense budget. It was manifestly to the advantage of the Armed Services and, therefore, to the Defense Department, to reduce this unit cost wherever possible. The economy of scale of production would dictate that as production lines lengthened, unit cost would be reduced. If American allies could be induced to purchase certain numbers of certain weapons those production lines would be lengthened sufficiently to allow the American Armed Services to buy the same weapons at less cost. The highly controversial sale of the F-111 "all purpose" jet aircraft to Britain and Australia during this period provides an excellent example of this particular mechanism



at work. At least in this case, there was ample evidence of personal review by both the Secretary of State and the Secretary of Defense.<sup>66</sup>

While it was unlikely that the shrinking military assistance budget for grant aid could contribute much to furthering this kind of parochial interest (particularly since most of it would be spent simply for the operating costs of the large foreign forces which it supported), the Foreign Military Sales Program was focused largely on customer investment in new equipment. As that program expanded (and grant aid correspondingly contracted), more and more opportunities would arise to sponsor sales which would have the effect of reducing Defense Department purchasing costs. This mechanism was made particularly attractive by the lenient policies governing sales financing -- employing the mechanism would be a temptation increasingly difficult to resist.

#### Congressman Gross' Budget Concerns

The closest that Secretary McNamara would come to a confrontation with any member of the House Foreign Affairs Committee was the following exchange with Congressman H. R. Gross (R - Iowa).

MR. GROSS. Nowhere in your statement did I notice any recognition of the fact that this Government is borrowing

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66/ In 1966, the U.S. promised to "offset" the \$1 billion cost of 50 F-111's which Britain agreed to buy through the purchase of \$725 million of British "defense articles." This "offset" was raised to \$825 million in January 1968, when Britain threatened to cancel the order -- indicating U.S. Defense Department interest in stimulating a longer production line. See: The New York Times, February 20, 23, 1966, and January 2, 17, 1968.



billions of dollars, that the budget is not in balance and we are borrowing billions of dollars to support the war in Vietnam as well as foreign aid. You are concerned, are you not, by the financial situation of this Government, the existing debt and the piling up of this debt day by day and hour by hour?

SECRETARY McNAMARA. Mr. Gross, I did point out that the Military Assistance Program is 50 percent less than it was 6 years ago. I think that expresses my desire to eliminate programs that don't advance our national interest.

MR. GROSS. I am talking about the total.

SECRETARY McNAMARA. I am aware of that, I am pointing out that you approach the total through individual actions. I think my actions will indicate that I am as concerned, or more concerned than anybody in this room, with avoiding wasteful expenditures by the Federal Government.

Having said that, I think I have a difference of opinion with you as to the ability of our Nation to finance national needs. The fact that the defense budget, large as it is for fiscal 1968 ... is still only 9 percent of our gross national product, which is essentially at the same level proportion as it was in 1961. ...

MR. GROSS. I hope the day will come, Mr. Secretary, when you deal in a net national income rather than a gross national product. I doubt the Ford Motor Co. operates on a gross national product basis. ...

SECRETARY McNAMARA. ... There is no question but that our Nation is affluent. It is prosperous. It is a disgrace that we sit here in this Nation's Capitol 2 miles away from children who don't have books because our Congress won't appropriate funds. That is my belief as Secretary of Defense, -- and there isn't -- may I finish, I allowed you to finish -- may I finish --

MR. GROSS. Go right ahead.

SECRETARY McNAMARA. I don't know anything more this Congress can do to strengthen our Nation, to advance our national security, than to take the money out of the defense budget and spend it in meeting the ills of our Nation, if you





won't appropriate more. I think you can appropriate more.  
... /Italics supplied./

MR. GROSS. That is the trouble, Mr. Secretary, I have had poorly instructed high school students say to me that is doesn't make any difference how much debt we have because we owe it to ourselves. I am surprised that a Secretary of Defense would come before this committee and say approximately the same thing. I am very much surprised to hear you say it. Suppose you tell me how you propose to retire the \$336 billion worth of debt we have today? Is it inconsequential?

SECRETARY McNAMARA. Mr. Gross, I don't propose to retire it.

MR. GROSS. I am sure you don't.

SECRETARY McNAMARA. I don't believe that the Congress proposes to retire it. I hope the Congress has advanced beyond the stage where it believes it is necessary to retire it.<sup>67</sup> /Italics supplied./

There were occasions, apparently, when the Secretary of Defense would "rise to the bait," Although Secretary McNamara seemed to have chosen to defend the much larger defense budget, rather than to limit his remarks to the military assistance budget at hand, this example illustrates both his socio-economic philosophy and his temper. He might have been better advised to have selected another forum for his slur on the Congress and his impromptu lecture on economics.

It is parenthetically noteworthy that, unlike their Senate colleagues, members of the House of Representatives could serve only on one

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<sup>67/</sup> U. S. Congress, House of Representatives, Foreign Assistance Act of 1967, pp. 140-142.



committee at a time. An adversary, therefore, had only to be encountered once each year. Should Congressman Passman or Congressman Conte have been on the Foreign Affairs Committee, Congressman Gross would have had sufficient allies to seriously harass the Secretary of Defense. As it was, the flurry raised by the latter was short-lived and Secretary McNamara and General Wheeler were allowed to withdraw after answering several polite questions about technical aspects of the action in Vietnam and the posture of NATO.

Neither the Director of Military Assistance, Vice Admiral Heinz, nor any of the Unified Commanders, whose appearances followed that of the Secretary, were subjected to any serious criticism or strenuous questioning. Each, in turn, presented an overview of his functional concerns in administering his own portion of the Military Assistance Program. None of their statements conflicted with the positions taken by their higher civilian authority and the members of the Foreign Affairs Committee made no attempt to probe for differences in viewpoint between the senior military officers and the civilian authorities whom they served.

All in all, the hearings conducted by the House Foreign Affairs Committee were the most cordial and least provoking of any on the subject of the Military Assistance program that would take place throughout the year.

If any of the members of that committee were aware of the challenges to the program that had been raised by Dr. Bader they



chose not to echo them. In contrast with his counterpart in the Senate (Senator Fulbright), Chairman Morgan was not at odds with the administration's policy in Vietnam and, therefore, limited his questions on that subject to simple requests for information; his committee members, seemingly of the same mind, followed suit. Only Congressman Gross, whose primary concerns were the budget and the national debt, made any effort to cross swords with the Secretary of Defense and, apparently, he was neither tenacious enough (as was Congressman Passman) or well enough informed (as was Congressman Conte) to make that official uncomfortable.

The testimony of the Secretary of State, Dean Rusk, before this committee, in support of the economic assistance portion of the Foreign Assistance Act was even less eventful. His appearance occurred on May 4, 1967, a month before the Arab-Israeli hostilities which would re-double interest in the Military Assistance Program and focus attention on the State Department's relationship with the program.

## HEARINGS BEFORE THE SENATE COMMITTEE ON FOREIGN RELATIONS

The chairman of the Senate Committee on Foreign Relations, Senator J. W. Fulbright, (D- Ark.), waited until his colleagues, Senator Gore and Senator Symington, had essentially completed their subcommittee hearings (the latter still lacked the testimony of one witness,





Mr. Kitchen of the State Department) before scheduling hearings before the full Foreign Relations Committee on the Foreign Assistance Act of 1967.

Chairman Fulbright's concern with administration policies vis-a-vis Vietnam had been demonstrated the previous year through wide press and television coverage of exhaustive public hearings. He had, at that time, utilized congressional review of foreign assistance as a vehicle for his interrogation of administration officials about the war. Now his schedule was interrupted by the June Arab - Israeli War and he was not able to begin until June 12, 1967. Even so, the senior officials of the State and Defense Departments were unable to attend and the committee had to content itself with witnesses whose interests were really only peripheral to the major issues inherent in the proposed legislation (i. e., the Friends Committee on National Legislation, UNICEF, the National Farmers Union, and the National Council of Churches).

#### Testimony of the Secretary of State

It was not until July 14, 1967 that the first administration witness, Secretary of State Dean Rusk, was available to meet with the committee. The committee members, however, had not been idle during the several weeks they had had to wait for the executive branch to tidy up the Middle East in the war's aftermath. Chairman Fulbright and his associates had been at work on the draft Foreign Assistance Act despite the absence of





important witnesses and he alerted Secretary Rusk accordingly.

THE CHAIRMAN. We are somewhat behind last year's schedule in the consideration of the foreign aid bill because of the difficulties encountered in obtaining testimony from the executive branch witnesses.

The committee has proceeded with the making of tentative decisions on some aspects of the bill. These decisions, as I said, are tentative and subject to review in light of the testimony which we receive today. [Italics supplied.]<sup>68</sup>

Secretary Rusk and the other senior officials of the administration would be ignorant for some time as to the decisions already made by the committee; just how "tentative" they were or how "subject to review" would not be disclosed for several months. The Secretary of State (and, others, including the Secretary of Defense) would certainly have been dismayed had they known that their testimony before this key committee would have no positive impact -- nor would it change decisions already made during the spring by Senator Fulbright and his committee members.

Perhaps unaware that he was facing legislators whose minds were already focused on drastic cuts in his foreign assistance program, Secretary Rusk delivered his seventh formal presentation on that subject in much the same way that a tour conductor might point out sights seen for the hundredth time. His support for the military assistance

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<sup>68/</sup> U. S. Congress, Senate, Foreign Assistance Act of 1967, Hearings Before the Committee on Foreign Relations, 90th Congress, 1st session, (Washington: U. S. Government Printing Office, 1967), p. 125.



portion of the foreign aid bill was typical of the almost passionless tone of his whole presentation.

For two decades now we have supported the ability of free nations adjacent to the Soviet Union or Communist China to defend against external military threats. This free world strength has been indispensable in keeping the peace. Over three-quarters of this year's program is needed to continue our investment in this proven form of insurance. . . .

The second major foreign policy function of the program is to help selected developing nations protect themselves against internal violence, and thereby provide the stability that is essential to development. . . . Our programs for our own western hemisphere, as it continues its struggle against Castro-exported insurgency and terrorism, and as it seeks to move more quickly toward human progress, reflect our efforts to meet these pressures throughout the world.

Through these programs we support not only freedom and progress but also try to foster political stability within the various regions of the world. This program is tailored to help discourage arms races and to try to stabilize regional arms balances, and to keep the military expenditures of ourselves and of our friends to the minimum necessary. . . .

Quite frankly, we have been disappointed that more progress has not been made in this direction. We are intensely interested, at this moment, in the arms race in the Middle East. President Johnson has pressed very hard both publicly and privately for understandings among arms suppliers and arms recipients for prudence in the levels of arms which have created so much tension in that area. We shall continue to work on this, both in the United Nations and in our bilateral contacts with the governments concerned. [Italics supplied.]<sup>69</sup>

This statement, it must be recalled, was given to the Senate Foreign Relations Committee on July 14, 1967. The Arab - Israeli

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<sup>69/</sup> U. S. Congress, Senate, Foreign Assistance Act of 1967, p. 132.



war had erupted nearly six weeks before and the unsuccessful Arab clients of the Soviet Union were desperately seeking to re-equip their armed forces. It would prove an ironic commentary on the administration's "intense interest" in arms control that the United States would, by default of the other Western countries, shortly become the principal supplier of weapons to Israel, and, therefore, a principal contributor to the Middle East arms race. By flagging the administration's thus far inconsequential diplomatic efforts -- "in the United Nations" and in "bilateral contacts with the governments concerned" -- the Secretary was simply providing the committee with an indictment of his own stewardship.

### Responsibility of the Congress

Senator McCarthy was the first member of the committee to question Secretary Rusk. The Senator was concerned about the problem of shared responsibilities within the government.

SENATOR McCARTHY. I think it important that we find out what the Department's /the State Department/ position is as to what voice the Congress ought to have in deciding what countries you ought to give aid to. We ought to find out if you have any other idea as to how we might exercise some influence on your choice, and in what you call arbitrary action. What is the view? How do you interpret the responsibility of the Senate under the Constitution for a decision of this kind? ... Do you think we should just cut off money? Is that the only power we should exercise? Or should we have some influence on policy, and if you think we should have, how do we exercise it? /Italics supplied./





SECRETARY RUSK. It seems to me this is not a question of constitutional prerogatives on the two sides, but a question of how those prerogatives are used.

I would respectfully suggest that a mathematical limitation on the number of countries /which could be provided military or economic aid -- 40 countries, in the case of MAP<sup>7</sup> is not a determination that takes account of the situation in the different countries to which aid is provided. It has, in fact, little relationship to what is going on in the rest of the world, and what the needs might be.

For example, if you want to deal with 500 million people in India, one can do that in working with one government.

If one wants to deal with about 500 million people in Africa and Latin America, that means 60 governments. The needs of those half billion people in those two areas are of great importance to us.

Then I think also, Senator, that there is a problem about the pace of events in world affairs, and the pace of the legislative process. They are not always the same. . . . I think the question is not how to resolve potentially one of the many impasses that could exist under our constitutional system, but what would be the wise way for both sides to exercise constitutional authority.<sup>70</sup>

The one man, responsible, above all others, to the President for United States foreign policy had been asked directly and in simple terms by a much respected member of the Congress whether he thought that Congress should "have some influence on policy" -- and, if it should, how should that influence be exercised. This could have been the most significant dialogue of the entire congressional - executive repertory on the subject of foreign assistance -- economic or military -- in the year of 1967. Unfortunately, the Secretary of State chose to respond by focusing on one specific issue, the arbitrary limitation of

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<sup>70/</sup> U.S. Congress, Senate, Foreign Assistance Act of 1967, p. 143.



countries, and by rephrasing the question. Senator McCarthy had asked for alternatives to simply cutting off money; this would have been an appropriate time to have defused growing congressional criticism of the foreign aid program by making some kind of positive or conciliatory gesture. Secretary Rusk seemingly had nothing better in hand than his prepared statement. The moment passed, and another opportunity was lost.

### The United States and International Security

Senator Fulbright found it difficult to reconcile the reality of the war in Vietnam with the stated goals of economic and military assistance.

MR. CHAIRMAN. Mr. Secretary, perhaps I do not view it in the right perspective. But when you talk about building a peace, while at the same moment we are waging an ever increasing war, it leaves one with a sense of schizophrenia. On the one hand, we are waging war, we have ever-increasing war costs, and we read of casualties now of some 12,000 deaths and 70,000 wounded. This does not seem to fit the picture of building the peace. I do not know whether, even if we had the money, our minds are capable of giving real attention to these contradictory policies at the same time

SECRETARY RUSK. Mr. Chairman, I do not consider that contradictory at all.

MR. CHAIRMAN. You don't?

SECRETARY RUSK. This Nation has entered into alliances with more than 40 nations for mutual security. They were approved by the Senate on the basis that these alliances were a stabilizing factor in the world situation, and were organized to help keep the peace.



I cannot imagine that the peace would be sustained by those who are promoting the world revolution, some by peaceful coexistence so-called, and some by militant action, if they should discover that they could pursue these purposes with impunity -- particularly against those countries with whom we have made formal alliances.

I just believe we have to get a world situation in which those who are tempted by the idea of aggression realize there is no future in it. /Italics supplied./<sup>71</sup>

It would be difficult to find in the public record a more succinct statement of the administration's philosophy of employing the United States as a global policeman. The Vietnam controversy, however, had, since the previous year, begun to share national attention with certain domestic ills -- Senator Fulbright chose to shift his attention now as well.

MR. CHAIRMAN. ... are you not disturbed about the deterioration of our own economic and social situation in this country which, after all, in the long run, is the basis for our whole position in the world? Every day, it seems to me, certainly every once or twice a week, there is a new outbreak of violence here within our own country, and there is great internal dissatisfaction which, I think, stems from the neglect of most of our domestic programs. ... We had three different States call out the National Guard within one week just a short time ago, which seems to me a very ominous development.

SECRETARY RUSK. I do not minimize at all the seriousness of those developments. I do not think they represent a deterioration in objective factors, such as the standards of living, earning capacity, and questions of that sort, so much as a realization there is a great deal of unfinished business in this country to which we must address ourselves urgently. ... I think this is one of the things, for





example, that adds special urgency to efforts to do something in the field of arms limitation.<sup>72</sup>

### Responsibility of the Congress

If Senator Fulbright was having trouble juxtaposing Secretary Rusk's positions on global peacekeeping and domestic "unfinished business," his colleague, Senator Morse, was as much concerned with the problem of policy making authority as Senator McCarthy had been. Unlike Senator McCarthy, however, Senator Morse was not interested in inquiring what the Secretary's views might be -- he had very definite views of his own.

SENATOR MORSE, I think that there has developed in this country in recent years a growing public insistence that this Congress do a more effective job in its constitutional checking.

That is what we are doing. Under our constitutional system we have a legislative responsibility to check whenever we think that there is a discretion being exercised by the executive branch of the Government that is not in the public interest, and some of the reasons for the course of action which has been taken by this committee in executive session is we want to call a halt to your exercise of what we think is arbitrary discretion that has not resulted in the public interest. */Italics supplied.* If Secretary Rusk had been ignorant, to this point, of the way in which his program had already been mangled by the committee, he now at least had a hint.<sup>7</sup>

We are seeking to recommend to the Senate that it exercise the check of the purse strings for we think you have gone too far. We think some of your requests cannot be justified on their merits. There are honest differences of

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<sup>72/</sup> U.S. Congress, Senate, Foreign Assistance Act of 1967, pp. 167-168.





judgement between the two branches. But that is the constitutional system. . . .

I want to say we are insisting on a greater exercise of constitutional check, and I think you people ought to welcome it with open arms and come in and cooperate with us in regard to it because when you can make a case you do not have any trouble with us, in my judgement. We are petit jurors on the evidence. . . .

I do not know where we ever got the idea that the President has unchecked authority in the field of foreign policy. He just does not have it. We have a duty to cooperate with our President in supporting his programs when he can sell his programs within the checking principles of the Constitution. . . .

What we have to do is be a team; what we have to do is to find a basis where the executive branch and the legislative branch can meet embraced on the exercise of constitutional checks. . . .

I wanted to say this, Mr. Secretary, because . . . I would not want the public to think that some of us at least on the Foreign Relations Committee do not disagree with you in regard to what I think is the overall presentation you made this morning. I do not think it differs materially from the presentation we have heard up here for ten years, and we have had our honest differences before. I think this bill must be cut. I think it should be cut more. I think in the military aspects, the sales aspects, the military goods that we are selling, subsidizing the producers of munitions in this country and airplanes in this country, ought to be checked. /Italics supplied./<sup>73</sup>

Senator Morse had made clear his feelings about the Military Assistance Program during his brief visit to Senator Symington's subcommittee hearings; now he not only reiterated them, but he afforded the administration, at the Cabinet level, a preview of the action which the Congress was likely to take in regard to the program. Another preview was provided by Senator Frank J. Lausche (D - Ohio).

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<sup>73/</sup> U. S. Congress, Senate, Foreign Assistance Act of 1967, pp. 176-180.



SENATOR LAUSCHE. Now then, I put to you this question: Would it be advisable to adopt a policy that we will not provide economic aid to any country that is spending its money on military equipment instead of using it for the constructive purpose of building up the infrastructure of the Nation?

SECRETARY RUSK. Senator, I think it would be most unfortunate to try to draw that sort of a conclusion on a legislative basis, because a good many of these countries need arms and equipment -- as well as economic assistance -- if they are to carry out their own purposes and are to be able to act in common interest with the United States. . . .

SENATOR LAUSCHE. Mr. Secretary, how can you control the conduct of a country that insists on spending its money for military equipment while it is begging for economic aid from our country? How do you succeed in that?

SECRETARY RUSK. There are real concerns in the executive branch, just as in the Congress, on that particular point. What we have tried to do has been to consult with countries about keeping their defense expenditures within manageable limits and in proper relation to their economic and social development needs. 74

Situations such as Senator Lausche described Algeria was a prefect example/ had been brought to the attention of the Congress three months previously -- thanks to Congressman Passman and the efforts of his subcommittee in early April. If any of the members of the Senate Foreign Relations Committee were impressed with the administration's solution to the problem -- consultation -- they failed to say so.



## The United States and International Security

Senator Church, who had already voiced on the floor of the Congress the most coherent criticism of the Military Assistance Program evoked by congressional reaction to the June Arab - Israeli war, now took issue with Secretary Rusk's solution to worldwide aggression.<sup>75</sup>

SENATOR CHURCH. I know that there are those who say that our capacity is limitless, and that what we are doing is really not as sizable as perhaps it should be, that we should do more instead of less. Perhaps this is so. But I am not convinced that we can conduct a \$25 billion war in Vietnam and then go ahead with foreign aid as usual as though the war did not exist, that the cost did not exist. Yet it seems to me that this is what we are doing.

I am not convinced that our resources are limitless when I see the continuing gold drain that has drawn down our reserves to a peril point and that at any time might set off chaos in the international markets if a run on the dollar should develop.

I am not convinced that our resources are limitless when I consider the size of the deficit which the war in Vietnam is creating this year and the news in the paper this morning that a special war tax must be levied on the American people to pay for it.

I am not convinced that our resources are limitless when I see how far we are from accomplishing the goals of the Great Society in our own country and then hear comment about transporting and erecting it abroad and when I know that the Congress will be making substantial cuts in programs that are needed by the American people in this country for domestic programs. . . .

So I think that Congress has to take into account the extraordinary costs of the war, the capacity of the United

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<sup>75/</sup> Senator Church's speech, "Arsenal Diplomacy: The Failure of a policy," is found in U.S. Congressional Record, 90th Congress, 1st session, Vol. 113, pt. 3 (June 26, 1967), pp. 17305-17310. Excerpts were quoted in Chapter III, footnote 75.





States, and it has to scale our aid program accordingly. . . .

Mr. Secretary, most of the countries to which we give aid are not the kind of countries that you describe, but are totalitarian countries, and most of the free world that we refer to in this way is not free in our sense at all. So I just cannot accept the argument that with aid we are somehow going to provide a peaceful means whereby countries will evolve from their present totalitarian character into a democratic character something like our own. I do not think history bears it out, and I do not think our experience with the aid program bears it out..  
*[Italics supplied.]* 76

### Military Assistance to the Middle East

Although the Secretary of State had not seen fit to devote a great deal of his opening statement to the situation in the Middle East, the problem was very much on the mind of Senator Church -- he wanted to know whether the Secretary could recommend some cuts in the proposed program.

SENATOR CHURCH. Take, for example, in 1968, you plan about \$50 million in grants and sales of military equipment to Arab countries. Now, has that been called off? Is that a place where we can make a \$50 million cut in view of the Middle East crisis where the Arab countries surrounded and threatened Israel with obliteration?

SECRETARY RUSK. I would think not, Senator, because there are Arab countries and Arab countries. If we could get agreement among the principal arms suppliers as well as arms recipients to put some tangible limits on the build-up of arms in that area, then it might be



possible for arms supplies to that area to be cut back. . . .

SENATOR CHURCH. Mr. Secretary, on the point of the Arab countries, I think we ought to begin to change our policy over there. For years we have justified the extension of military aid to Arab countries on the ground that we must avoid a polarization in the Middle East. We have distributed \$335 million worth of military equipment to these Arab nations.

When the time came when they had to choose up sides, all this equipment did, it seems to me, was add to the military capacity of the Arab countries. Jordan, for example, used American equipment in the war against Israel. I might add, I think it takes greater omniscience than ordinary mortals possess to engage in these balancing acts that are supposed to somehow avoid a polarization.

The polarization will occur because these Arab countries recognize we were a midwife at the birth of Israel and they are going to associate us with Israel as long as there is the basic, passionate, inflammatory cause of trouble in the Near East, just as they did within the past month, and in the end they all lined up against us: they all declared the Soviet Union as their champion, and they used some of the military equipment we supplied in the battle against Israel. When they lost by virtue of the Israel brilliance on the battlefield, they then blamed us for their defeat.

I think if we do not base our foreign policy on the realities at the time of reckoning, all the talk about polarization and this kind of thing is meaningless.

SECRETARY RUSK. Senator, I am prepared to discuss it with you on the basis of reality. I think you are setting to one side two of the three major issues that are involved in the Middle East in the present situation.

One of them is the longstanding problem between Israel and the Arab States. . . .

A second. . . . is an internal struggle within the Arab world.

A third is the problem of whether or not this area is going to be penetrated by any other great power, particularly the Soviet Union, in a way that would adversely affect the interests of the West. . . .

There are differences of view about how a stable peace in the Middle East can be organized. I would think that we had better wrestle with complexity than accept the simplicity involved in letting the Soviets be the principal arms supplier and, thereby, possibly the dominant influence in that area.



/Italics supplied./ ... We do not, I would suppose, want a major polarization to occur there which would leave the small state of Israel surrounded in the decades ahead with hundreds of millions of Arabs.

SENATOR CHURCH. Mr. Secretary, didn't the polarization occur there just last month, despite our policy to avoid one? Do you think that our giving arms to the Arab countries was really proved to be successful? In the light of what happened, do you think this was a wise policy for us to have followed?  
/Italics supplied./

SECRETARY RUSK. Yes; I do, sir.

SENATOR CHURCH. You do. /Italics supplied./ 77

It would seem from the testimony that the Secretary of State placed greater weight on the employment of the Military Assistance Program as an instrument of competition with the Soviet Union than on any of its other functions, at least insofar as the Middle East was concerned. Whether or not a polarization had occurred -- as Senator Church suggested -- while the administration had been "wrestling with complexities," may be debated. Certainly a continuing flow of arms, both through grant aid and sales, to Jordan, Lebanon, and Saudi Arabia has provided those countries, among Israel's neighbors, with some degree of resistance to the lure of Soviet weaponry (and Soviet influence). It is doubtful, however, whether that flow of arms has made those neighbors more sympathetic towards Israel. Should another Arab - Israeli war occur, and Jordan again participate





(or, less likely, should either or both Lebanon and Saudi Arabia choose to take part this time), critics of the program will again argue that the United States, having "armed both sides," has again fueled a regional conflict. Given the importance of the interests at stake (control of oil resources, preservation of the Jewish homeland, super-power prestige, etc.) and the enormous number of variables involved, it is difficult not to agree, with Senator Church, that balancing acts in the Middle East require "greater omniscience than ordinary mortals possess." At any rate, it seems unlikely that the Secretary, whose testimony was completed shortly after the exchange with Senator Church, had made any significant impact on the Foreign Relations Committee or had said anything which might lead even some of its members to reverse a restraining process which, apparently, was already well underway.

#### Coverage by the Press

Nearly two weeks would pass before the next, and last, witness (the Secretary of Defense) would appear to testify before the committee. During that interval the Military Assistance Program would gain considerable attention and some notoriety. The press, thus far, had focused only slight and irregular attention on the program. The New York Times article of January 30, 1967 which had noted the publication of Dr. Bader's staff study, was brief, concise, and drew no editorial conclusions. The article in the same newspaper of June 27,





1967, which reported Senator Church's floor speech decrying "Arsenal Diplomacy," was also restrained. In the five months between those two articles the press had almost completely ignored the subject of military assistance.

On July 19, 1967 -- five days after Secretary Rusk's appearance before the Senate Foreign Relations Committee (and two days after the House Banking and Currency Committee held a hearing on Export - Import Bank financing of country - X loans (discussed at length in the following chapter)) -- the press commenced drumfire coverage of the Military Assistance Program. This coverage, on a daily basis, detailed for the public nearly every aspect of the existing program and laid particular emphasis on the controversial issues of credit arms sales and U.S. contributions to regional arms races. This intensive exposure of the program did not diminish until the foreign assistance authorization bill had passed both houses of the Congress (in vastly different forms) in late August, 1967, and did not abate entirely (or almost entirely) until the final approval by both houses of a compromise foreign assistance appropriation bill in mid-December 1967. Pertinent examples of this newspaper commentary will be included in this thesis.

The following articles appeared between the testimony of Secretary Rusk and that of the Secretary of Defense:

- On July 19, the first of a two part series by Neil Sheehan, entitled, "Armaments Sales: U.S. is Principal Supplier to the World."



Illustrated with a picture of Mr. Samuel Cummings, president of the International Armaments Corporation, seated at his desk and surrounded by a small cannon and several types of automatic weapons, this article noted that, between mid-1949 through June 1966, the United States had sold \$16.1 billion in weaponry and given away \$30.2 billion in arms and military equipment -- exclusive of private sales -- making the United States the world's leading supplier of arms. Mr. Henry Kuss and Mr. Cummings were both identified and their respective business volumes were compared.

Since World War II, the marriage of Government and the armaments industry into the so-called military - industrial complex has transformed the international arms trade. The private arms salesman is a midget compared with the Government salesman. Mr. Cummings' annual sales are, he says, well below \$100 million, an obviously substantial amount, but a pittance beside the Government business.<sup>78</sup>

Senator McCarthy was quoted as saying, "If nothing else, the Arab - Israeli war should convince us to re-examine our entire arms sales and military assistance programs," and Defense Department figures were given which showed that the total of arms transfers included, among others: 16,630 aircraft (8,300 of which were jet fighter-bombers), 24 submarines, 19,827 tanks, 26,845 artillery pieces, and 45,360 missiles. Miscellaneous small arms exported by the United States totaled over 3.6 million. Various arguments in support of the

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<sup>78/</sup> The New York Times, July 19, 1967.



Military Assistance Program (mutual defense, balance of payments, etc.) were mentioned, and an inset provided biographical data on Mr. Kuss, describing him as "a brilliant and aggressive salesman, thoroughly familiar with production curves, research and development costs, credit problems and other intricacies of the international traffic in arms" -- and a recipient of the Meritorious Civilian Service Medal from Secretary McNamara for "unparalleled ability as a negotiator." 79

- On July 20, the second part of the series, entitled, "U. S. Arms Sales Spurred by Large Field Force and Complex Credit System," was illustrated by a picture of an American - built Sherman tank, driven by Israelis, entering Jerusalem during the June war. This article credited Mr. Kuss with developing the "offset" method of arranging arms sales -- through which, West Germany, for example, agreed to purchase huge amounts of military equipment from the United States, provided the latter would pick up the costs of training large numbers of German military personnel in America. Mr. Kuss was also credited with encouraging other nations to do their military procurement planning on a five-year basis. By assisting in this planning Mr. Kuss identified potential sales and could make suitable arrangements with American defense industries to secure purchase orders. The article noted that 12,353 servicemen and civilians were assigned

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79/ The New York Times, July 19, 1967.





to Military Assistance Advisory Groups abroad and "function to some extent as on-the-spot salesmen." Further, according to the article, "the Army, the Navy, and the Air Force each maintain separate central arms-sales offices to assist and supplement Mr. Kuss' teams." The Defense Department's revolving credit sales fund was described as was the participation of the Export - Import Bank in financing arms sales. "Seventeen countries, 12 underdeveloped, were the recipients," noted the story, of loans for military equipment financed by the Bank. The country - X feature also received attention. An "intangible element" which promoted arms sales was "the exposure of tens of thousands of officers from scores of countries to American military doctrine and weaponry through training courses under the Military Assistance Program." The article concluded with the comment that Mr. Kuss, "seems to assume implicitly that the central world arms race between the industrialized Western nations and the Soviet Union will continue indefinitely, with greater opportunities and challenges for the adept arms salesman."<sup>80</sup>

- On the same date, in the same newspaper, a related article quoted Senator Fulbright as saying that he had,

... detected a growing desire by the Senate to reclaim its constitutional prerogatives and responsibilities in foreign affairs.

It is too soon to tell, but there are signs in the Congress, particularly in the Senate, of a growing

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<sup>80/</sup> The New York Times, July 20, 1967.



awareness of the loss of congressional power, of a growing uneasiness over the extent of Executive power, and a growing willingness to raise questions that a year or so ago might have gone unasked, to challenge decisions that would have gone unchallenged, and to try to distinguish between real emergencies and situations which, for reasons of Executive convenience, are only said to be emergencies.<sup>81</sup>

- On July 21, an article by James Reston entitled, "How to Make Things Worse Than They Are," noted that the Congress was "troubled ... about the vast traffic in military weapons" and had charged the administration "with deploring the arms race while leading the arms race." Mr. Reston reported that "serious men like Senator Eugene McCarthy of Minnesota and Representative Henry Reuss of Wisconsin are a member of the House Banking and Currency Committee are leading a campaign to get control of this mischief." Mr. Reston, However, ended his article by remarking that,

... the present Middle East problem indicates the dangers in a one-sided withdrawal from the arms race. To keep control of the oil out of the hands of the Soviet Union is a vital interest of the United States and its NATO allies, and this cannot be done by pious speeches in the Congress about "the merchants of death." <sup>82</sup>

- On July 23, in a piece entitled, "Arms Sales Facing Congress Inquiry," E. W. Kenworthy reported at length on the hearing conducted

<sup>81/</sup> The New York Times, July 20, 1967.

<sup>82/</sup> Ibid., July 21, 1967.



by the House Banking and Currency Committee (July 17) into the Export - Import Bank financing of arms sales. A point of major importance which was raised during that hearing (and which will be discussed in the following chapter) was whether or not the Congress had been advised as to this utilization of the Bank's facilities. The administration contended that congressional leaders had been so advised. Mr. Kenworthy now quoted Senator Fulbright, Chairman of the Foreign Relations Committee, as saying that he had been "unaware until recently of the Bank's arms credits." Senator Mike Mansfield (D - Mont.), the Majority Leader, when asked about such credits, replied that he "had never heard of them."<sup>83</sup>

- On July 24, in an editorial entitled, "Feeding the Arms Race," The New York Times alerted the public that,

Some members of Congress are beginning to ask searching questions about America's Government-sponsored, booming international arms business. It's about time. A series of events in recent years has cast serious doubt on some of the basic assumptions that underlie the arms aid and sales programs. In a number of situations, it is clear that the decision to sell or give American arms has done more harm than good to the interests of the United States. . . .

The United States is also shipping increasing amounts of weapons to the developing nations -- \$1.2 billion worth in the last five years -- in the name of "mutual security." This is an area of the arms business particularly open to question. . . .<sup>84</sup>

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<sup>83/</sup> The New York Times, July 23, 1967.

<sup>84/</sup> Ibid., July 24, 1967. .





- In the same issue of July 24, an article by Neil Sheehan entitled, "Symington Says U.S. Is Failing to Control the Resale of Arms," provided the public with an abridged version of the hearings conducted by Senator Symington's Near Eastern and South Asian Affairs Subcommittee. This material, it should be noted, had been ticking away quietly -- like a time bomb -- since the early spring. Declassification of the testimony had finally been accomplished by the Defense Department and the hearings had been published, without fanfare, on July 11, 1967. This article focused particularly on the testimony of Mr. Samuel Cummings (see Chapter III), and repeated verbatim his disclosure that the transfer of F-86 jet fighters from West Germany to Pakistan via Iran had been "common knowledge in Europe at the time" and that the arrangement was accomplished "by Luftwaffe pilots in civilian clothes."<sup>85</sup>

- On July 25, an article reported a news conference held by Senator Symington at which the Senator characterized the country - X loan program as "back-door financing" and a means by which the administration was circumventing congressional limitations on arms shipments to Latin American countries [presumably the limit of \$85 million in grants and saless]. In a related article the Senator announced his support for an amendment to the Foreign Assistance Act of 1967 which

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<sup>85/</sup> The New York Times, July 24, 1967. One reason for the delay in making these hearings available to the public -- aside from the problem of declassification -- was that the final session of the hearings (the appearance of Mr. Kitchen of the State Department) did not take place until June 22, 1967.





had been proposed by his colleague in the Foreign Relations Committee, Senator Church. This amendment would abolish the Defense Department's revolving credit arms sales fund. Still another related article quoted excerpts from the discussion between Senator Fulbright and Mr. Cummings during the latter's appearance before the Symington subcommittee (see Chapter III).<sup>86</sup>

- On July 26, the day on which the Secretary of Defense was to make his appearance before the Senate Foreign Relations Committee, an article appeared which must have warned the Secretary that his reception by that committee might be less than sympathetic. The article noted that on the previous day, July 25, a hearing had been held by the Senate Banking and Currency Committee -- which was now engaging in the same reexamination of the conduct of the Export-Import Bank that had occupied the House Banking and Currency Committee on July 17. Although the testimony taken on July 25 had not yet been published, the article reported that the Deputy Secretary of Defense, Paul Nitze, and Under Secretary of State Rostow had insisted that the Congress had approved the use of the Bank's facilities to finance arms sales. As to whether or not the administration had informed the Congress of this activity as it had occurred, the article noted that,

Secretary Rostow ... asserted, however, that the Administration had kept members of the Senate and House

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<sup>86/</sup> The New York Times, July 25, 1967.



Foreign Relations /sic/ Committees adequately informed and would now provide such information on "a classified basis" to the banking committee members. 7Mr. Rostow had, in fact, said it was the appropriations committees which had been so informed -- see Chapter V.7

Senator J. W. Fulbright chairman of the Senate Foreign Relations Committee, and Senator Stuart Symington, Missouri Democrat, said this was not true. They said that the Administration did not mention the Export-Import Bank's involvement to the committee until the group had discovered this itself and published partial information about the bank loans in a staff report on arms sales in January /presumably Dr. Bader's staff study.7<sup>87</sup>

### Testimony of the Secretary of Defense

By the time that Secretary McNamara entered the committee chamber to give his testimony in support of the Military Assistance Program not only had all parties concerned, and the public, been brought up-to-date on most of the pertinent issues inherent in the program, but distinct lines had been drawn across the subject of the administration's handling of the arms transfers, and legislators and executive officials were finding themselves on opposite sides of those lines in adversary relationships. The preparations for the Secretary's appearance had been less than auspicious.

Senator Fulbright began the hearing on July 26 with some brief remarks to the effect that he considered it "unfortunate" that the Secretary of Defense had refused to appear in public session; he went on to say,

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87/ The New York Times, July 26, 1967.



This committee, for a number of reasons, has taken a greater interest this year than usual in the military aid and sales program. The Senator from Tennessee, Mr. Gore, and the Senator from Missouri, Mr. Symington, have conducted extensive hearings before their respective subcommittees, which have added greatly to the knowledge of the members of this committee in their concern about our arms sales and the grant problems in the field of arms.

There have been lengthy discussions among the members about this subject during our markup on the foreign aid bill, but the committee agreed to withhold action on the military aid portion of the bill until it heard testimony from you, Mr. Secretary.<sup>88</sup>

In response, Secretary McNamara promised the chairman that, insofar as making the hearings available to the public, he would be "quite happy to cooperate in both a prompt security review and a review that will permit everything to be released that is both pertinent and also will not adversely affect the foreign policy of our Government."<sup>89</sup> He then proceeded to make exactly the same prepared statement which he had made before the House Committee on Foreign Affairs. If he had been upset by the commentary in the newspapers, he took pains not to show it.

Following his statement, which had simply reiterated the basic rationale for the various portions of the Military Assistance Program (and which reaffirmed the careful control procedures in the administration of arms sales), the Secretary of Defense became engaged for

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<sup>88/</sup> U.S. Congress, Senate, Foreign Assistance Act of 1967, p. 241.

<sup>89/</sup> Ibid., p. 242.





some time in fielding questions pertaining to the war in Vietnam.

Senator Fulbright inquired about the use of military personnel from the Philippines in that conflict. It was his opinion that funds programmed for the Philippines under MAP were a quid por quo for the presence of the Philippine flag in Vietnam. "I suspect," he said, "although we cannot prove it, that this whole /MAP/ payment was in response to their showing a token support for Vietnam policy." The Secretary failed to rise to this bait.<sup>90</sup>

Senator Gore wanted to know whether the Defense Department's request to shift Thailand and Laos to the Defense budget implied that there were plans afoot to expand the war into those countries. The Secretary did not rise to this bait either. Questions on the general situation in Vietnam, on the trend in casualties, and on the semantics of offensive and defensive postures all drew responses that were brief, confident and persuasive. Thus far, the testimony was typical of Secretary McNamara's usual style.

#### Arms Sales Decision Making

Finally, after having fenced inconclusively on the subject of strategy, Senator Gore approached a topic more germane to the hearings.

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<sup>90/</sup> U. S. Congress, Senate, Foreign Assistance Act of 1967, p. 257.



SENATOR GORE. I really do not wish to pursue this /dis-  
cussion of strategy/. I must admit that it is a bit confusing.  
 And not being a military man, I wish to go, Mr. Secretary,  
 to something with respect to the foreign aid bill.

As the chairman said, Senator Symington and I have  
 directed some hearings with respect to the sale of armaments.  
 There is in the pending bill new authority requested which  
 would put the Department of Defense in the banking business  
 by authorizing it to purchase commercial paper from  
 private arms suppliers who have sold to foreign govern-  
 ments of foreign customers.

I just wondered what you thought the justification is  
 for putting the Department of Defense in the business of  
 buying and selling commercial paper.

SECRETARY McNAMARA. I think the basic question,  
 Senator Gore, is what is in the interest of our Nation, or  
 what military sales are in the interest of our Nation, and  
 then how should those sales be financed. I think this is  
 a very difficult question.

SENATOR GORE. Could you clarify for us who makes  
 this decision?

SECRETARY McNAMARA. Yes, I can indeed. The answer  
 is basically, that within the President's policy, the decisions  
 are made by the Secretary of State and the Secretary of  
 Defense. We do not actually initial in writing the sale of  
 \$300,000 of spare parts to one of the Latin American  
 countries, for example. But every major arms sale is  
personally approved by either the Secretary of State or the  
Secretary of Defense or the Deputy Secretary of Defense.  
/Italics supplied./

SENATOR GORE. Approval of both Departments is required.

SECRETARY McNAMARA. Yes. /Italics supplied./

SENATOR GORE. Does it go to the White House?

SECRETARY McNAMARA. Not always. That is not to say  
 the President is not informed but that we are operating under  
 established policy.

In many of these cases, the matter does go to the White  
 House because it is brought to the White House by the foreign  
 government. For example, the F-111 sale to the United  
 Kingdom was the subject of discussion initiated by Prime



Minister Wilson with the President. . . . Normally the general run of the mill military sale does not come to the attention of the President. Sales are only made, however, if the Secretary of State and the Secretary of Defense believe that they are consistent with the policy of the Government.<sup>91</sup>

### The Function of Mr. Kuss.

It is obvious by his testimony that the Secretary of Defense considered himself a coequal with the Secretary of State in the making of at least this phase of foreign policy -- if it is to be conceded that decisions made to provide arms to some countries and to withhold arms from other countries are the stuff of foreign policy. No member of the committee, however, chose to challenge the Secretary on this point. Rather, Senator Gore wished to voice his concern about the activities of Mr. Henry Kuss.

SENATOR GORE. I for one have had the apprehension that, Mr. Kuss, for instance, has been a little wide ranging in his activities and perhaps without due administrative supervision by the Department heads in dealing not only with governments but more specifically with arms merchants within other countries. That is why I asked you about the decision making process. . . . Not that I wish to pry into executive secret operations, but I, for one, would like some satisfaction that his is not being handled irresponsibly. /Italics supplied./

SECRETARY McNAMARA. Let me say I think that the subject is a controversial one and deserves discussion. But I do not think that in any way it is being handled irresponsibly, nor do I believe that your apprehension as to Mr. Kuss's wide ranging and perhaps acting without proper

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<sup>91/</sup> U. S. Congress, Senate, Foreign Assistance Act of 1967, pp. 263-264.





direction from either the Secretary of State or the Secretary of Defense is well founded. Here the Secretary provided an example of Mr. Kuss' activities in negotiating the sale of F-111's to the United Kingdom -- negotiations which included the working out of a complex "offset" agreement which necessitated the salesman's "ranging" throughout the British economy in search of potential counter-purchase procurement items. / So Mr. Kuss has ranged widely, but not outside the limits of policy. /Italics supplied. /

SENATOR GORE. You can understand from your own description of his functions why the committee might have such a feeling as I have stated.

SECRETARY McNAMARA. I can indeed, and I do quite understand it. <sup>92</sup>

If it had been Senator Gore's intention to determine whether or not Mr. Kuss was virtually autonomous in his putsuit of arms sales, the answer which he received from the Secretary of Defense may have simply added to his confusion. On the one hand, the chief of International Logistics Negotiations was empowered, through the mechanism of arranging "offset" agreements, to deal at his own discretion with whomsoever he pleased in foreign countries (either government agencies or commercial businesses) in behalf of either the United States Government or American weapons manufacturers -- but on the other hand, in doing so, he was not to stray "outside the limits of policy." If Mr. Kuss' authority represented less than a carte blanche, it might be difficult to say in what way.

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<sup>92/</sup> U. S. Congress, Senate, Foreign Assistance Act of 1967, pp. 264-265.





## Arms Sales Decision Making

Senator Symington now took his turn at questioning the witness.

If the press coverage of the previous two weeks had not ruffled the

Secretary of Defense, it had drawn out the Senator from Missouri.

SENATOR SYMINGTON. Mr. Secretary, I had other questions I was going to ask this morning, but the staff has just given me a statement made yesterday [July 25] by Deputy Secretary Nitze in a hearing before Senate Banking and Currency [see Chapter V]. As a matter of personal privilege as well as for the information of the Committee, I will comment and then Mr. Secretary please make any comments you care to. Secretary Nitze says in his statement:

"I note that Senator Symington's press release [of July 24] yesterday charged the administration with a lack of coordination and stated that "there is evidence to suggest that the amount, type, and destination of American military equipment sold abroad is determined by middle level officials in the Department of Defense . . ." I want to state flatly and in the strongest terms that this is simply not true."

That was Mr. Nitze's statement yesterday, I would just observe in passing that is a strong statement. During last week . . . I asked the staff of this Committee to draw up a release based on the testimony [from the Near Eastern and South Asian Affairs Subcommittee hearings] that had been declassified and released. I thought the language of the subsequent release was strong, so I asked the head of the staff, Mr. Marcy, if he was sure the testimony justified it. Mr. Marcy submitted the evidence. I read it carefully and felt the statement was proper. I take full responsibility for every word. /Italics supplied./<sup>93</sup>

The initial contributions of the staff of the Senate Foreign



Relations Committee to raising the whole issue of arms sales -- particularly those of Dr. Bader -- have already been noted. It seems, now, that if the decision to take the issue to the press was not actually made by the staff, they were at least providing the material which would appear in print. This committee staff, apparently, possessed the energy for sustained effort.

Senator Symington followed his justification for the press release with a documented case supporting his point of view.

SENATOR SYMINGTON. I originally became interested in these matters as a result of some very fine hearings on disarmament held by Senator Gore. The committee was told at that time by different witnesses that the senior interdepartmental group was the control point for coordinating arms sales at the highest level. The committee was also told in the Gore disarmament hearings that a State Department coordinating committee chaired by Mr. Kitchen handled many of the important decisions on arms sales.

In February of 1967 Senator Gore asked AID, the Arms Control and Disarmament Agency, Treasury, and the Bureau of the Budget to describe their role in four important U. S. decisions to sell arms:

1. The F-4's to Iran.
2. The F-5's to Morocco.
3. The F-104's to Jordan.
4. The A-4's to Argentina.

A summation of the answers on the extent of their participation from four agencies ... most concerned with arms sales is as follows: The complete answers themselves are at Appendix I -- it should be recalled that these four sales were the ones originally flagged by Dr. Bader in his staff study.

1. The senior interdepartmental group did not meet on the F-104's to Jordan or the F-4 sale to Iran. The group was not established until after the F-5 and A-4 sales had been made.

2. The State/Defense Coordinating Committee did not meet on the F-4 sale, the F-104 Sale, or the A-4 sale. It did meet on the F-5 sale but neither ACDA, Treasury, or the Bureau of the Budget were present at the meeting.



All this in spite of the contention by Mr. McNaughton as brought out in the March 2, 1967 hearing /See Chapter III; italics supplied./

"The process of policy reviews always allows for the presentation of views by State, Defense, Treasury, and AID. It may also involve the Arms Control and Disarmament Agency and the Bureau of the Budget."94

The evidence indicated to Senator Symington that there was conflict between the procedure for the control of arms sales as outlined by the then Assistant Secretary of Defense, Mr. McNaughton, and the actual practice as it had been reported to Senator Gore by the various agencies queried. This led him to comment that,

If the major sales are not considered at the highest level, naturally one wonders about the less significant sales. One can only conclude that the arms sales decisions are made at desk levels at the State Department in cooperation with Mr. Kuss and Mr. Kitchen. This is in my view at the middle level.95

Senator Symington then went on to read into the record the testimony which he had elicited from Mr. Kuss (during his subcommittee hearings) wherein that official had admitted that the Congress could not expect to be informed of arms sales until six to nine months after the sale had been accomplished. He also quoted from Mr. Kitchen's remarks before the Near Eastern and South Asian Affairs Subcommittee to the effect that the chairman of the State/Defense Coordinating

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94/ U.S. Congress, Senate, Foreign Assistance Act of 1967, p. 271.

95/ Ibid., p. 271.





Committee "was not familiar" with country - X loan transactions.

Having made his case, Senator Symington said,

I regret there is a disagreement between Deputy Secretary Nitze and myself on this matter, and regret also that, without calling me up, or requesting any information as to the testimony of which he is obviously ignorant, he would haul off and make a flat denial of that character, accusing me of making an untruthful statement. /Italics supplied./<sup>96</sup>

The Senator's press release of July 24, which was written by the staff of the Foreign Relations Committee, had produced the side effect of throwing a gauntlet across the Potomac -- Senator Symington could now add indignation to his other feelings concerning the Military Assistance Program and those who administered it. The Secretary of Defense was forced into the occupation of mending fences.

SECRETARY McNAMARA. I am afraid there has been a misunderstanding, Senator Symington, on the way in which these sales are authorized. I am sure Mr. Nitze didn't intend in any way to contradict your beliefs, but merely to correct what may have been a misunderstanding; and I suspect, also, that misunderstanding by the members of the committee arose because of the failure on the part of the executive branch witnesses properly to explain the procedure.

So I accept the responsibility for whatever misunderstanding did develop.

But let me assure you that there is a misunderstanding because you imply that the record indicates that the four specific transactions you referred to -- F-4's to Iran, F-5's to Morocco, A-4's to Argentina and F-104's to Jordan were not approved at the highest level of the Government

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<sup>96/</sup> U.S. Congress, Senate, Foreign Assistance Act of 1967, p. 273.



but approved at desk level or middle management level. Such is not the case. I personally approved every one of those four deals, and I think it is correct to say these were approved by Secretary Rusk as well. . . .

These are typical arms sales agreements, every one of which, if it is of any importance, comes to my direct personal attention.

I am fully prepared to say we may have made errors of judgement, but I don't think we did in these particular cases. I could not, however, support an interpretation that these important matters are decided upon by desk level officers, and I fear we may have left that impression with the committee. If so, I apologize. /Italics supplied./ 97

Dr. Bader's staff study had been published at the end of January.

Mr. McNaughton and Mr. Kuss had made their appearances before the subcommittees shortly thereafter. The "impression" that important arms sales decisions were being made at echelons below Secretary McNamara's level was already of long standing. Is it possible that the Secretary had been ignorant of the testimony given by his subordinates, or had failed to see in it the material from which a false impression could be gathered? It is difficult to imagine that an official of Mr. McNamara's experience could overlook the development of any "weapons" in the congressional arsenal. The Secretary's apology for his Deputy's rash response to Senator Symington might have been acceptable, but his assumption of all responsibility for arms sales decisions which had, for nearly four months, been attributed to lesser officials, may have come too late. Secretary McNamara's



attempt to set the record straight was out of date and might be considered evidence of a cavalier disregard for the impressions made on the Congress.

### Export-Import Bank Financing of Arms Sales

The Secretary of Defense, in an apparent effort to correct another impression, then made several references to examples of disclosures of the role of the Export-Import Bank in financing arms sales. He mentioned some testimony of Mr. Kuss of April 1964, and a report of the House Committee on Foreign Affairs, dated June 1, 1964, both of which referenced the Bank as a financing agent for arms sales. He quoted a portion of his testimony before the Foreign Relations Committee on June 23, 1964, in which he stated:

We estimate that in the current fiscal year a total of \$213 million of military sales will be financed through private institutions and the Export-Import Bank.<sup>98</sup>

Having provided those evidences of good faith and disclosure, Secretary McNamara concluded,

I think, against the record of previous testimony, that is perfectly clear. I really think you are doing a disservice to me, gentlemen, by saying, in effect, that I lied to the Congress.<sup>99</sup>

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<sup>98/</sup> U.S. Congress, Senate, Foreign Assistance Act of 1967, p. 291.

<sup>99/</sup> Ibid., p. 292.





Senator Symington, apparently somewhat mollified, noted that the Defense Department seemed to lack rapport with the staff of the Foreign Relations Committee.

SENATOR SYMINGTON. It may be, if there was closer coordination, there would not be this mistiness. If you had the time, which I know you have not, to read the hearings of Senator Gore and myself, you would agree it is very, very difficult not to be confused, based on the testimony itself, as to what is going on.

SECRETARY McNAMARA. Well, Senator Symington, I think you are quite right on that. . . . I think that the problem in the past, and it is one that perhaps we should assume responsibility for correcting in the future, is a lack of effective liaison with this committee on these matters. We are in close association and contact, as you know, with the Armed Services Committees because they are our primary authorizing committees.

SENATOR SYMINGTON. But they are not particularly interested in military aid.

SECRETARY McNAMARA. They have not, for one reason or another, dug deeply into this.<sup>100</sup>

One or two of the senators inquired about the rationale for military assistance to various countries and about the workings of the revolving fund and the Export-Import Bank in the financing of arms sales. The Secretary of Defense responded with the same information that his subordinates had already given to the Gore and Symington subcommittees. Finally, Senator Fulbright concluded the hearing with the following exchange with Secretary McNamara.

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<sup>100/</sup> U.S. Congress, Senate, Foreign Assistance Act of 1967, p. 294.





THE CHAIRMAN. Do you know who Mr. Cummings is?

SECRETARY McNAMARA. I read of him in the newspapers.

THE CHAIRMAN. Don't you know him personally?

SECRETARY McNAMARA. No, sir. I have never seen the man.

THE CHAIRMAN. He is a resourceful fellow. He says the West Germans are asking roughly \$20,000 for an M-47 tank. Is that ours?

SECRETARY McNAMARA. That is our tank.

THE CHAIRMAN. While the same thing only brings \$2,000 as scrap, and they obviously do not want to scrap them. He buys and sells arms and makes a great fortune. . . .

Mr. Secretary, it is very late, and I apologize, but you know the committee is very concerned about this matter. . . . I do not know what we are going to do. I think this is a very serious matter, and I do not know what you think would happen if we intend to cut down the aid program. . . do you have anything further to add?

SECRETARY McNAMARA. Yes, sir; I do. . . . It is true that our expenditures are high. It is true that in particular our defense expenditures are high. It is not true they are higher in relation to our income than they were 5 or 6 years ago.

It is true that the failure to address the domestic social ills existed then because of lack of will of our people to face them, to finance them, to adopt the corrective measure.

It is true that our domestic social ills remain uncorrected today, and for exactly the same reason -- failure of our people to address the issue and to provide the necessary financing to begin to correct it. 101

The Secretary of Defense ended his testimony before the Foreign



Relations Committee almost exactly the same way he did before Congressman Morgan's Foreign Affairs Committee -- with a socio-economic lecture. In this instance, however, he chose to blame "the people" rather than "the Congress" for failure to administer to the domestic problems which were in competition with his programs. He would have only one more opportunity in 1967 to testify in behalf of the Military Assistance Program -- before the Senate Appropriations Committee. That hearing would not take place until mid-November, nearly four months later. Between July and November the mood of the Congress, vis-a-vis military assistance, would produce serious legislative restraint on the program and the hearings before the Senate Appropriations Committee would amount to the administration's final appeal. Everything that would matter in the drafting of the authorization and appropriation bills had already been said.



## CHAPTER V

### RESTRAINT ON THE EXPORT - IMPORT BANK

In early March of 1967, a bill (S. 1155 and H. R. 6649) had been introduced into Congress at the request of the Export - Import Bank of Washington.<sup>1</sup> This bill would: shorten the name of the Bank (dropping the words "of Washington"), extend the life of the Bank for five years (beyond June 30, 1968), increase the Bank's lending authority (from \$9 billion to \$13.5 billion), increase the Bank's authority to issue export credit insurance and guarantees against fractional reserves (from \$2 billion to \$3.5 billion), and increase the rate of per diem allowance for members of the Bank's Advisory Committee.

Mr. Harold F. Linder, President and Chairman of the Bank, dutifully made appearances before both the House and Senate Banking and Currency Committees (on April 11, and May 16, respectively), providing testimony in support of this bill. Despite his having been closely questioned by Congressman Passman (incident to his testimony before the House Appropriations Committee on March 20) in regard to the Bank's participation in so-called country - X transactions, no

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<sup>1/</sup> See Appendix M for a description of the Export-Import Bank and its functions.





questions relative to this function of the Bank were forthcoming from either of the Banking and Currency Committees. Mr. Linder did not volunteer any information along these lines and the subject passed unchallenged.

By mid-July, however, congressional concern with the administration's handling of arms transfers had penetrated even the shell of these relatively noncontroversial committees. Although the House Banking and Currency Committee had already filed (on May 11) a report recommending favorable action on the Bank bill, one of its members, William B. Widnall (R - N. J. ), had become sufficiently aroused to address the following letter, dated July 12, 1967, to the Committee Chairman, Wright Patman (D - Tex.):

DEAR MR. CHAIRMAN: It has come to my attention that the Export-Import Bank since July 1, 1962, has advanced credit of more than \$1 billion for the sale and shipment of arms to seventeen different countries many of which are clearly in the underdeveloped category and hardly in a position to be expending vast sums of money for the purchase of arms. In fiscal year 1967 alone, I am advised that Eximbank provided credits for the sale of more than \$300 million in arms traffic. Much of this has been in what is termed "country - X loans" where Exim itself knows neither the names of the recipient countries nor the items to be sold. This is unpleasantly reminiscent of numbered accounts in Swiss banks.

Most disturbing to me, however, is the fact that [at] our Committee hearings this year and in previous years, no inkling whatsoever of this type of activity was revealed. Moreover, at this year's hearings on extending the life of the Eximbank we had not only Exim witnesses but



also Department of Defense and CIA at which time one would assume that this recent large-scale activity of the Bank would have been revealed to the Committee. Certainly broad policy and budgetary questions are involved.

I realize that H. R. 6649 has already been reported and is awaiting clearance from the Committee on Rules. Nevertheless, I am advised that the Committee on Appropriations has looked into this matter in some detail in hearings earlier this year and I know you share my feeling that we would certainly want to avoid the embarrassment of not having had this information when H. R. 6649 is being debated on the Floor.

For these reasons, I urgently request that Eximbank and Department of Defense witnesses be called before our Committee in Executive Session at the earliest opportunity.

Sincerely,

WILLIAM B. WIDNALL<sup>2</sup>

Responding to this request; Chairman Patman scheduled a return engagement for Mr. Linder for Monday, July 17. The administration was by now, of course, fully alerted to congressional anxieties about arms transfers and, so, provided the Bank President with an escort of some of its ablest knights: Eugene V. Rostow, Under Secretary of State for Political Affairs; Joseph W. Barr, Under Secretary of the Treasury; Paul H. Nitze, Deputy Secretary of Defense; and John T. McNaughton, Assistant Secretary of Defense for International

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<sup>2/</sup> U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, Hearing Before the Committee on Banking and Currency, 90th Congress, 1st session, (Washington: US Government Printing Office, 1967), p. 2. According to Congressman Widnall (see his letter, dated March 30, 1972, at Appendix N) this facet of the Bank's activities had been brought to his attention by the staff of the Senate Foreign Relations Committee which had shown him Dr. Bader's staff study.



Security Affairs.<sup>3</sup>

## HEARING BEFORE THE HOUSE COMMITTEE ON BANKING AND CURRENCY

In matter-of-fact terms, and without reference to any previous omission of information concerning Bank financing of arms transfers, Mr. Linder informed the committee that the shift in the US Military Assistance Program away from grant aid and towards sales arrangements had focused administration attention on export trade and credit availability -- the natural provinces of the Export - Import Bank. The Bank president traced his organization's initial financing of arms transfers to 1962; client states at that time being only "financially strong and friendly industrialized countries."<sup>4</sup> The Department of Defense, according to Mr. Linder, provided only its approval of the arrangements for the sales and the applicable credit terms. It was not until Congress itself, through sections 503 and 509 of the Foreign Assistance Act of 1961, as amended for 1964 and 1965, authorized the Department of Defense to guarantee financing by others of military export sales that the Bank had become involved in transactions which

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3/ Assistant Secretary McNaughton left the hearing that noon and died in an airplane crash 2 days later on July 19, 1967. Townsend Hoopes, his principal deputy, became Acting Assistant Secretary of Defense for International Security Affairs.

4/ U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 3.





provided arms to developing countries. Pursuant to this legislative authorization, Mr. Linder explained,

... an arrangement was worked out between Eximbank and the Department of Defense whereby the Bank would acquire from the Department of Defense obligations, guaranteed by the Department of Defense, arising from sales negotiated by it with certain countries to which the Bank was otherwise not prepared to extend credit for military goods. Under this arrangement Eximbank provides financing but does not deal with the buyer and is not informed of the buyer's identity.<sup>5</sup>

Mr. Linder pointed out to the committee that he had, in fact, discussed the Bank's plans to embark on this type of financing with the chairman of both the Senate and House Banking and Currency Committees on two occasions, one in 1962, and again, in 1965. By way of demonstrating that the Bank had no intention of keeping its role in the financing of arms transfers secret from Congress, Mr. Linder cited four occasions on which that particular function of the Bank had been brought to the attention of Congress: his own testimony before the House Appropriations Committee that year (Passman's interrogation on March 20); the staff study, "Arms Sales and Foreign Policy," published for the Senate Foreign Relations Committee (Bader's opening petard); Secretary McNaughton's testimony before the Disarmament Subcommittee of the Senate Foreign Relations Committee (given on February 7, and March 2, in something less than gratuitous fashion);

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<sup>5/</sup> U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 4.





and, finally, a speech of his (Linder's) own delivered before the Bankers Association for Foreign Trade meeting at Boca Raton, Florida, in April 1966. Whether or not these occasions would constitute open and abundant disclosures would be judged by the committee members.

Export - Import Bank cooperation with the Department of Defense in the business of financing arms transfers had been "carried out under express authorization from the Congress," claimed Mr. Linder.

[Italics supplied.]<sup>6</sup> That authorization, he noted, could be found in the House Foreign Affairs Committee report on the 1965 amendments to the Foreign Assistance Act of 1961. This report explained a provision which would prohibit the Department of Defense from charging a fee or premium in connection with its guarantees if the recipient of the guarantee was another agency of the US Government and, quoted Mr. Linder, "is primarily designed to apply to the Export - Import Bank which, at present, is the only US Government agency expected to be affected by it."<sup>7</sup> Whether or not this somewhat oblique reference constituted express authorization from the Congress would also be judged by the committee members.

Deputy Secretary of Defense Nitze followed Mr. Linder's statement with his own. It was important, he told the committee, to the United States that nations which are defending their own independence

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<sup>6/</sup> U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 5.

<sup>7/</sup> Ibid., p. 5.



be militarily strong and internally secure. To this end, it was sometimes necessary for such nations to acquire their military equipment on credit from the United States. Mr. Nitze pointed out that there were three standards which were applied by the Department of Defense in determining whether to make military sales:

1. We will not sell equipment to a foreign country which we believe it cannot afford or should not have.
2. We will never ask a potential foreign customer to buy anything not truly needed by its own forces.
3. We will not ask any foreign country to purchase from the United States anything that it can buy cheaper or better elsewhere.<sup>8</sup>

Additionally, according to Mr. Nitze, sales of military equipment benefited the following sectors of the United States:

- (a) American labor (providing about 1.4 million man-years of employment in the United States over the past five years);
- (b) American industry (providing over \$1 billion in profits over the same 5 - year period of time); and
- (c) the American Government (in generating favorable gold flow to the extent of over \$5 billion in cash receipts already in hand resulting from \$8.1 billion of sales over the past 5 years).<sup>9</sup>

Mr. Nitze concluded his statement by endorsing the continuation

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<sup>8/</sup> U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 6.

<sup>9/</sup> Ibid., p. 6.



of the Export - Import Bank's "key role" in providing credit financing for which the Department of Defense had a "vital need" in order "to carry out our military sales programs essential to our national interests."<sup>10</sup>

Next, Under Secretary of the Treasury Barr explained his department's point of view in regard to the Bank's financing of credit for arms transfers. The issue was, he suggested, "divisible,"

The sales to the developed nations -- Italy, Australia, New Zealand, and the United Kingdom -- are very definitely a part of our attempt to make our military alliances financially viable. They are part of the attempt on our part to preserve our responsibility as a reserve currency nation, as well as meeting our military responsibilities. In order to do this we must make sure that the money we spend overseas to maintain these military alliances is covered by off-setting foreign exchange transactions.<sup>11</sup>

On the other hand,

In the case of the developing nations, the situation shifts a bit as far as we [the Treasury Department] are concerned. We cannot claim that the balance-of-payments impact is as vital as with the developed nations.<sup>12</sup>

However,

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<sup>10/</sup> U. S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 6.

<sup>11/</sup> Ibid., p. 7.

<sup>12/</sup> Ibid., p. 7.





It is our opinion that one way or another these developing countries are going to get the arms that they need for internal security and a minimum of external security. If they are going to get these arms they should get them on the most advantageous credit terms from the United States.<sup>13</sup>

Mr. Barr concluded his statement with something like a disclaimer of responsibility for his department:

We in the Treasury have no opinion, Mr. Chairman, as to whether or not these sales should be made. This determination is made by the President, by the Defense Department, and by the Department of State. If these people, who have this responsibility, determine that credit should be extended, we say we might as well get the business and we should finance it on the most advantageous credit terms.<sup>14</sup>

Finally, Under Secretary of State Rostow spoke on behalf of the Export - Import Bank's authority to finance arms sales arranged by the Defense Department. Keeping such authority intact was, according to Mr. Rostow, "fundamental." Cutting it off would be "in certain sensitive areas -- the Middle East, for example -- very serious."<sup>15</sup>

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<sup>13/</sup> U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 7.

<sup>14/</sup> Ibid., p. 7. This argument is not very different from that presented by Mr. Samuel Cummings in his testimony before the Subcommittee on Near Eastern and South Asian Affairs (April 13, 1967), to wit: if there is going to be a profitable arms business then the United States should make the most of it.

<sup>15/</sup> Ibid. p. 7.



Central to the problem, in his view, was the fact that,

The level of Soviet and Chinese arms sales has put the world in an appalling dilemma. In some regions, the presence of those arms are in themselves an incitement to war, releasing the danger of hostilities. If they are not countered, aggression may occur. But, if they are countered an arms race may begin, absorbing resources those countries need desperately for development. We [the United States] cannot manage this process single handed, so long as others refuse to cooperate. But we cannot wash our hands of the whole problem, and leave arms supply in large part to the Soviet Union and Communist China.<sup>16</sup>

Mr. Rostow argued that the safety of the United States was most easily protected in a stable system of world power.

The aim of our policy, therefore, has been to help friendly developing countries meet their legitimate security needs while at the same time using our influence and managing our sales in such a way as to develop regional arms controls and to prevent excessive investment in military forces.<sup>17</sup>

To this end,

In every instance in which an arms purchase is requested, we weigh such factors as:

- (a) The threat to the internal or external security of the purchaser;
- (b) The imbalance caused by Communist arms provided to neighboring countries, and the degree of counterbalancing actions required;

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<sup>16/</sup> U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 8.

<sup>17/</sup> Ibid., p. 8



- (c) The need to channel purchasing country resources into constructive economic and social development and to avoid their wasteful diversion to unnecessary military investment;
- (d) The ability of the purchasing country to pay without excessive fiscal and budgetary strain;
- (e) The risk of arms escalation by neighboring countries or of improper use of the equipment by the recipient country; and
- (f) The risks that would result from U. S. refusal to approve the request, including the consequences of failing to help a friendly country.<sup>18</sup>

"After considering all of these factors," Mr. Rostow pointed out, "the Government authorizes a sale only when it is on balance found to be in our national interest."<sup>19</sup> Further, he claimed,

We pursue a fundamentally negative military sales policy, especially for countries of the developing world. Our aim is not to sell arms; we do so only when it is demonstrably in the overall U. S. national interest. Indeed, the magnitude of political sales which are turned down by the United States annually far exceeds the value of actual sales consummated.<sup>20</sup>

With the conclusion of Mr. Rostow's statement, the administration officials rested their case for Export - Import Bank financing of credit arms sales. The justifications they had given ranged from helping the balance-of-payments, through just plain good business, and on to competing with and offsetting Soviet and Communist Chinese

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<sup>18/</sup> U. S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 9.

<sup>19/</sup> Ibid., p. 9.

<sup>20/</sup> Ibid., p. 9.



arms sales. The criteria which they described for determining whether individual sales would be made seemingly covered every benefit and penalty imaginable. Unfortunately, however, they had not assessed accurately the real problem that was agitating many of the members of the House Banking and Currency Committee. Hardly had Mr. Rostow finished his statement, when, to the obvious discomfort of Chairman Patman, Congressman Widnall (the member at whose urgent request these additional hearings were being held) began his attack.

MR. WIDNALL. I would like to ask this question in view of the fact that Mr. Linder has just testified that the appropriate committees of the Congress have been informed, kept constantly informed and I would like to, by a show of hands, know how many on this committee have, up to this last weekend, known anything about this activity of the Export-Import Bank. Will those raise their hands?

THE CHAIRMAN. Just a minute, Mr. Widnall, you are not taking over the chairmanship.

MR. WIDNALL. Not a single soul on this committee has raised their hands.<sup>21</sup>

Although Congressman Patman underscored the publication of the Senate Foreign Relations Committee staff study and McNaughton's published testimony before the Subcommittee on Disarmament in an apparent effort to demonstrate to his fellow committeemen that at

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<sup>21/</sup> U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 10.





least some public disclosure of the Bank's activity had been made,

Mr. Widnall would not be put off.

MR. WIDNALL. Mr. Linder, I am deeply disturbed by the fact that you say that the appropriate committees have been informed. Apparently we are not an appropriate committee of the Congress.

MR. LINDER. Mr. Widnall, as I indicated, I thought this was information to which we did not want to give wide publicity, certainly in detail, although as I indicated I thought the members of the House Banking and Currency Committee were familiar with it as well as the Bankers Association to whom I made a reference on this subject in an address at their meeting --

MR. WIDNALL. They get better information than we do?

MR. LINDER. No. I also indicated, sir, that as early as 1962 I consulted the chairman of both the House and Senate Banking and Currency Committees and that I did so again when the volume of this business appeared to be going up.<sup>22</sup>

If, as Mr. Linder testified, disclosure had, in fact, been made on more than one occasion to the committee chairmen it seems that they may have kept this information to themselves -- noting Congressman Widnall's following complaint:

MR. WIDNALL. What has shocked me so much in learning about this is the fact that I have been on this committee now, I think, for 17 years and I have been quite cognizant of the activities of the Export-Import Bank and I have tried to make myself as well informed

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<sup>22</sup>/ U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 11.



as possible in connection with it. I have also and I have always had tremendous respect for its activities, for the manner in which the bank has been run. And I have always told the people back home that these loans going out through the Eximbank have been for the purpose of aiding the developing countries economically and to help with our trade, and that we are very proud of the record. Now I am not proud of the record when we cannot tell the American people openly and above board what we are doing in this respect.<sup>23</sup>

Apparently not having been completely informed by his chairman as to the Bank's involvement with arms sales, Mr. Widnall began to probe directly for information.

MR. WIDNALL. What percent of the loans to the developing countries last year were made for arms purposes?

MR. LINDER. There I am not in a position to answer, but I will be glad to furnish it to you.

MR. WIDNALL. Would not the figures show somewhere between 70 and 80 percent to the developing countries in the last year?

MR. LINDER. No, no, no. I am certain not.

(The following information was subsequently provided:)  
Gross loan authorizations and gross military authoriza-  
tions to developing countries in fiscal year 1967

[Thousands of dollars]

|                                      |                      |
|--------------------------------------|----------------------|
| A. Gross authorizations              | <sup>1</sup> 1,360.9 |
| B. Of which: Military authorizations | 353.1                |
| C. divided by A. (percent)           | 25.9                 |

<sup>1</sup>Figures for fiscal 1967 are preliminary<sup>24</sup>

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23/ U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 11.

24/ Ibid., p. 12



Leaving the Bank President for a moment, Mr. Widnall began to question the Deputy Secretary of Defense.

MR. WIDNALL. Mr. Nitze, you said, No. 2, we will never ask a potential foreign customer to buy anything not truly needed by its own forces. In how many of the countries where we furnished aid have we had American military advisers there ahead of obtaining the military equipment?

SECRETARY NITZE. We don't fortunately make transactions of that kind to deliver the equipment unless we have people there in advance of the delivery.

MR. WIDNALL. So that they could request it as a result of the advice given them by the American military advisers with their country; is that not so?

SECRETARY NITZE. Generally, it is the reverse of that, Mr. Widnall. Generally our advisers discourage them from buying things which we believe they don't need. We have had many instances in which the country itself and their military wanted to buy a great many things which we thought were too sophisticated and too advanced and our military people there have been very effective in pointing out to them that these are not the things that they should have, that they should have less and less sophisticated equipment than what they wanted.<sup>25</sup>

Turning again to Mr. Linder, and referring to Export - Import Bank loans to developing countries for arms purchases:

MR. WIDNALL. You say you do not want to know anything about where they go or who gets it.

MR. LINDER. Only in respect of the 30 percent

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<sup>25/</sup> U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 14.





[apparently an off-the-cuff estimate made before the data on the preceding page -- showing 25.9% -- was in hand] of the military loans did I not want to know. And the reasons I don't want to know are perfectly clear, Mr. Widnall. I am sure you understand that no one, as Mr. Rostow said, no one can be sure of the absolute desirability in a particular instance. ... It is conceivable that in certain areas of the world where conflicts arise, I would not wish to have it known that the Export-Import Bank had done specific financing for one side or the other. Such information might conceivably deny me the opportunity to continue with my normal commercial business.<sup>26</sup>

Notice of the Bank's activities and Mr. Widnall's line of questioning had, by now, prompted the curiosity of other members of the committee; as his allotted time expired others took up his cause. Among them, Congresswoman Florence Dwyer (R - N. J.):

MRS. DWYER. Have private banks participated in the sale of arms to other countries?

MR. LINDER. They have to the extent that they have bought certificates of participation in our loans.

MRS. DWYER. Why have they not participated more than they have at the present time directly?

MR. LINDER. They have in some instances, at least one that I can recall, participated directly. But the reason for not participating more does not relate to military loans, but relates to the general tightness of the money market and disinclination of the banks to lend money without some of the perquisites which come from normal commercial banking. That is, they do not get compensatory balances; they do not get

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<sup>26/</sup> U. S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, pp. 16-17.



as high a rate of interest as they might be able to charge to other borrowers; and when there is a shortage of money naturally the money drifts toward the people who pay the largest amounts. We have had to adopt the sale of participation certificates through the market in order to attract institutions other than the commercial banks [such as pension funds, insurance companies, and private investors] to provide money for us.<sup>27</sup>

Congresswoman Dwyer then turned to the Deputy Secretary of Defense.

MRS. DWYER. Does the Defense Department have a sales force promoting the sale of military arms?

SECRETARY NITZE. No, we do not. We have 24 people who work on these transactions, but as I said earlier, our main effort is to really cut down on the requests for the purchases below those which the countries would themselves have wanted apart from the three criteria which are mentioned in my prepared statement.<sup>28</sup>

Another congresswoman, Mrs. Leonor Sullivan (D - Mo), wanted to inquire about the recipients of the loans that were guaranteed by the Department of Defense.

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<sup>27/</sup> U. S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 17.

<sup>28/</sup> Ibid., p. 18. It is difficult to reconcile this rather negative description of the mission and performance of the International Logistics Negotiations branch of the Office of the Secretary of Defense (ISA) with the actual activities and sales record of Mr. Henry Kuss and his organization. Secretary Nitze's answer also begs the question in that he does not include the sales forces of each of the Armed Services -- whose aggregate number certainly exceeded.<sup>24</sup>



MRS. SULLIVAN.. What terms do they get?

MR. LINDER. With regard to the \$590 million of guaranteed loans /total amount since the beginning of the Bank-Defense Department Program/, about \$370 million were at 5-1/2 percent, \$190 million at 4-7/8 percent, and \$30 million of loans made in December 1965 at 3-1/2 percent.

MRS. SULLIVAN. In case they do not pay -- and it looks as if these are some of the countries whose arms are probably wiped out -- in case they do not pay, it will just be a matter of this country furnishing them with their arms free, since the Department of Defense will guarantee the Eximbank repayment, and the money still comes out of the U.S. Treasury, does it not?

MR. LINDER. If they do not pay, it is a cost to the U.S. Government, that is clear. But that is true as well of any commercial loan which isn't paid. <sup>29</sup>

Congressman Del Clawson (R - Cal.) had been aroused by this suddenly revealed policy of the Export-Import Bank and wished to pursue the question of disclosure.

MR. CLAWSON. In response to Mr. Widnall's question about raising hands of how many members of this committee were aware of these sales, military sales -- I am still curious, Mr. Chairman, about that very thing because apparently the members on this side /Republican minority/ were not

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<sup>29/</sup> U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 19. Although the list of countries for whom the Export-Import Bank had provided financing backed by Defense Department guarantees, was and is classified (it was brought to the hearing that day and shown to the committee members only by Under Secretary Rostow), it may be inferred from Mrs. Sullivan's remarks that some Middle East countries which had recently participated in the June 1967 war were among the recipients of country - X loans.





aware of it, even though Mr. Linder indicated it was rather public knowledge, and I am wondering how many on the majority side were aware of these sales prior to last week?

MR. CHAIRMAN. I think you ought to interrogate them yourselves.

MR. CLAWSON. I probably will.

THE CHAIRMAN. I do not think it is appropriate for you to do that now. You can ascertain that.

MR. CLAWSON. I did not ask them to raise their hands. So far none have indicated that they were aware of these sales. Perhaps the chairman was aware. The rest of us were not.<sup>30</sup>

Of all the members of the House Banking and Currency Committee, excepting, perhaps, Mr. Widnall, no one was more apparently antagonized by the Bank's financing of arms sales than Congressman Henry Reuss (D - Wis.).

MR. REUSS. Mr. Linder, the Export-Import Bank Act, section 9, requires that the Export-Import Bank transmit to the Congress a complete and detailed report of its operations. That is the correct reading, is it not?

MR. LINDER. I believe so.

MR. REUSS. Your most recent report is that of October 17, 1966, being a report for fiscal year 1966, is that correct?

MR. LINDER. Yes, sir.

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<sup>30/</sup> U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 19.





MR. REUSS. Until last week I was totally unaware of these arms sales, and I have sat on this committee 14 years. As my neighbors to my left and right, Mrs. Sullivan and Mr. Ashley, have just told me, they too, were completely in the dark. It is for this reason that I want to lead you through some of these reports. In the text of this report for the year 1966 and forward, I find not a word about the arms business, yet it is a fact, is it not, that in fiscal year 1966 of the total Eximbank authorizations of \$2.1 billion military authorizations were \$497 million -- about 23 percent of the total. That is a fact, is it not?

MR. LINDER. It is, I believe. It was approximately 25 percent.

MR. REUSS. I now look at the pictures accompanying the foreword -- which contain no mention of the military business, and I find they are the following -- page 3, a picture of an electric generator being sent to Japan. On page 4, a picture of a commercial cargo plane being sent to Zambia. On page 6 a picture of U. S. machinery spinning out tin plate to fill Brazil's needs. On page 8 is a picture of the very benign looking laboratory technician in India in a papermill. On page 11 a photograph of a power generator. I do not see any other pictures, and I ask you if I have correctly described the format of your report?

MR. LINDER. I think you have, sir.

MR. REUSS. I next turn to your testimony in which you state that Exim policy was changed in July 1962 and I believe it is your testimony that the only member of this House Banking and Currency Committee, which has jurisdiction over the Eximbank, that you told about this change was the then chairman, is that correct?

MR. LINDER. If I may, I think I was careful to say, that we did not -- not as a matter of policy -- but just did not have an occasion to finance military sales before 1962.



MR. REUSS. But in 1962 you did and when this occasion presented itself, is it your testimony that the only person, majority and minority, on the House Banking and Currency Committee whom you told of this new development was the then chairman of the committee?

MR. LINDER. That is correct, sir.

MR. REUSS. And it is a fact, is it not, that the then chairman of the committee was Mr. Spence of Kentucky, who was then 88 years old and shortly retired? */Italics supplied./*

MR. LINDER. I didn't know what his age was.

MR. REUSS. He was of advanced years, was he not?

MR. LINDER. Yes.<sup>31</sup>

Congressman Reuss, a graduate of Harvard Law School, a veteran lawyer, and, for many years, a distinguished legal counsel to high government officials, obviously could not resist leading his witness into a virtual admission of contrived deception. Mr. Linder was definitely in for a difficult day.

MR. REUSS. I now refer to your testimony before this committee in April of this year when you were asking for extension of the Eximbank authority. In your testimony did you say so much as a word about the fact that Eximbank was engaged very heavily in the financing of military exports?

MR. LINDER. I did not, and my statement made clear that I was prepared at that time, as I testified at length, only 3 weeks earlier, at

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<sup>31/</sup> U. S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 21.



the House Committee on Appropriations, that I would have been perfectly pleased to answer in executive session anything that I have said here today.

MR. REUSS. However, since none of us knew anything about it, the chances of our asking about this would be equal to our asking whether you were in the narcotics business or in white slavery. /Italics supplied./<sup>32</sup>

Not content with the Bank President's testimony thus far, Mr.

Reuss again called attention to his report of the Bank's activities for fiscal year 1966.

MR. REUSS. All right. Let us go to page 30 which has Italy on it and Italy got, we now discover, \$40 million worth of armaments that year from you, but under the listing, you list for Italy nothing broken down except for various U.S. exports again. On your point that elsewhere you told us exactly what you had given, and I look up above to Ireland and there I find that you do not tell what you gave them. There is no reason for any member of the committee to be put on his guard when he sees "various U.S. exports." From here on, I will be on my guard.

MR. LINDER. May I point out in respect to Ireland, these are guarantees and we never describe the detail of the guarantees because there are just too many of them. Where we made a direct loan, however, they are described unless they are a loan of the kind we made to the Institute Mobiliaire Italiano of \$20 million which represented a great variety of machinery and equipment which it wasn't feasible to describe. That is to say, it wasn't a large project loan but there were a number of them.

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<sup>32/</sup> U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p.22.





MR. REUSS. That is what I assumed this meant and I find it disingenuous. Under Australia you've got various exports which I take to mean these nuts and bolts and odds and ends. Now I find that \$134 million of those were armaments -- all of the credits given to Australia that year were armaments, so you fudged the whole thing. */Italics supplied./* ... why could you not have said military shipments, and is it not a fair inference that there is an effort to deceive the House Banking and Currency Committee by this kind of report?

MR. LINDER. I am afraid I will seem redundant if I say again that I had good reason to think that it was unwise for the Bank to indicate in its annual report the fact that it was conducting military business, the bulk of which was in behalf of countries whose credit I did not think it was necessary to challenge.

MR. REUSS. You thought it was unwise because you knew that members of the committee would object to it. I certainly would have. */Italics supplied./*<sup>33</sup>

Seeming to forget his fear of redundancy, Bank President Linder again reiterated his consultations with past and present chairmen of the House and Senate Banking and Currency Committees in regard to his Bank's arms sales activities. However, if he was successful in convincing the committee members of even this much disclosure, that success must have been short lived. The Committee Chairman, Congressman Patman, one of those few who was supposed to have enjoyed Mr. Linder's confidences, was so eager to show his unqualified

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<sup>33/</sup> U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, pp. 23-24.



support for the administration that he gratuitously entered the following statement into the record:

MR. CHAIRMAN. May I say this word? I am greatly encouraged that the administration took the stand that it did to do something to protect the national interest. The fact that I find out later something that I did not know about, does not discourage me at all and does not disturb me at all because if the administration in power had done what was in the interest of the country, and for the national security in achieving permanent and lasting peace, I am very much encouraged and I agree with them, although I did not know about it. It doesn't offend me in the least. /*Italics supplied.*/ <sup>34</sup>

Whatever embarrassment Mr. Linder and his administration colleagues must have felt on hearing the sympathetic chairman's inadvertent confession of ignorance went, of course, unrecorded. It had become obvious, however, that some retreat was called for if some of the more disturbed committee members were to be prevented from bringing on a rout. Mr. Joseph Barr, the Under Secretary of the Treasury, a previous congressman and member of the House Banking and Currency Committee, was the logical official to initiate that retreat.

MR. BARR. I must admit that the degree of information that this committee had was unknown to me, also. It came to my attention this weekend. I consulted with my colleagues, Mr. Nitze, Mr. Rostow, and Mr. Linder, and I informed them, and there was absolutely no dissent, that we should come before

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<sup>34/</sup> U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 25.



this committee. In effect, Mr. Linder called you, Mr. Chairman, to say that we would be delighted to appear here and to try to get this record straight. I cannot speak for what is past, but I do want to say that the questions that have been raised here are valid. They do need exploration. I just want to put it this way, Mr. Chairman: I cannot speak for what is past, but we are here today, voluntarily, in an attempt to get this record straight, if we can.<sup>35</sup>

Following a luncheon recess, Chairman Patman moved to incorporate himself with the retreat by inserting his own act of contrition into the record.

MR. CHAIRMAN. Mr. Linder, I expect I am entitled to criticism on this matter in following Chairman Spence. Mr. Spence, of course, was acting in the very best of faith. I think he was fully justified in saying, in effect, now, if you make it satisfactory with the Foreign Affairs committee and Armed Services Committee, it will be satisfactory with our committee. He said that. That was his policy, I know it was. /Italics supplied./ Then, when I was approached, I said, go ahead, just as long as it goes to the other committees. I see no reason why not. Possibly I made a mistake in this in not saying to come down. I can see now where it would be in order, and I am in sympathy with some of the criticism Mr. Reuss and others make about why you did not confer with me as you did with the other committees. . . . Suppose we have an agreement now that in the future anything concerning the Export-Import Bank, any information you give to any other committee in executive session or otherwise, you will make available to us at the same time.

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<sup>35/</sup> U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 29.





Would you be willing to do that?<sup>36</sup>

Whether or not his committee members (particularly those who had practiced law) would accept this "evidence" of disclosure of the Bank's activities, Chairman Patman had made a gallant effort to salvage the hearing and to mollify their indignation at having been ignored. Mr. Linder, perhaps according to a scenario devised at lunch, had only to acquiesce to the Chairman's request in order to escape with dignity.

MR. LINDER. I thought I had done my duty by informing, as I said earlier, the chairman of both committees on two different occasions. It seemed to me that it was their judgement as to what ought to have been done from there on. However, I want to say now that we are perfectly prepared at any time, and surely at regular intervals if the committee chooses to meet in executive session or in public session if the matter is not one of security, to discuss any aspect of the Bank's business.<sup>37</sup>

If the luncheon recess had given the administration officials an opportunity to provide themselves with a graceful way out of an awkward situation, it had also allowed time for other committee members to digest the morning's dialogue and to frame questions of their own. Mr. Linder was still in trouble.

MR. BLACKBURN. [R - Ga.] Mr. Linder in your discussion with Mr. Reuss -- I do not know if you yourself

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<sup>36/</sup> U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 34

<sup>37/</sup> Ibid., p. 34.





realized the full impact of some of the answers that you gave to Mr. Reuss. As I recall, the act under which you operate requires that you make a full disclosure of the Bank's operations at the end of each year, is that true?

MR. LINDER. I understand that to be true.

MR. BLACKBURN. I recall that you testified earlier that you financed sales to countries where you yourself did not know and did not want to know of the name of the country involved.

MR. LINDER. That's correct.

MR. BLACKBURN. What you are telling this committee, is, that there is a provision of the law that you do not see fit to comply with and I am just wondering, are there any other provisions of the law under which you operate that you do not feel any requirement of compliance?

MR. LINDER. Mr. Blackburn, If you were here this morning as I believe you were, you will know that I indicated that the Congress of the United States had specifically authorized us to do this business. . . . If I have broken a law, then I regret it very much, but it seems to me my conscience is fairly clear. /Italics supplied./ <sup>38</sup>

The hearing was, now, clearly on the verge of a rout. Congressman Blackburn, in summing up his own displeasure, probably voiced the feelings of at least several other committee members.

MR. BLACKBURN. How can we as Congressmen exercise our trust in seeing that agencies over which we supervise operate in accordance with our wishes unless we have knowledge of the countries with whom

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<sup>38/</sup> U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, pp. 36-37.



we are dealing? I get some comfort when you say we do these things out of national interest. It may be that some of us may not agree with your phrase of what is in our best national interest. How can we evaluate these things if we do not know about it? /Italics supplied./ 39

The senior officials present from the departments of State and Defense, content until this point with Mr. Linder's advocacy of administration policy, now felt obliged to second his promise of complete future disclosures.

MR. ROSTOW. Mr. Blackburn, I would like to add a few words from my point of view and that of the Department of State. We favor conversations with the Congress about matters of policy. I feel it is not only a pleasure but a duty, a constitutional duty, and if we can't explain our policy to generalists in the Congress, and to the country at large, then there is something wrong. . . . In this particular case -- and no one regrets more than I do the misunderstanding that has been revealed here -- we all feel that it is a misunderstanding that has developed naturally as a result of the transfer from grant aid to sales in the arms field. We welcome the suggestion of the chairman and the offer of Mr. Linder that there be fuller consultations in the future. I am sure the Defense Department agrees. We shall be very happy to cooperate fully in this policy. 40

Deputy Secretary of Defense Nitze did agree and assured the committee that his department did "thoroughly support the view that we should make the information available to the appropriate committees

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39/ U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 37.

40/ Ibid., p. 38.



of the Congress."<sup>41</sup>

Indignation over not being informed as to the Export-Import Bank's role in financing arms sales to both developed and underdeveloped countries was, of course, only part of the reaction of the committee members. The question of a possible misuse of the Bank's resources was central to the whole issue and was brought up by Congressman Bingham (D - N. Y. ).

MR. BINGHAM. The purpose of the Export-Import Bank as clearly stated in the act is not to assist in the development of underdeveloped countries as has been intimated by the case made for Bank financing of arms sales to underdeveloped countries/ but to aid in the financing of exports and imports. Now that this policy financing arms sales/ has become public knowledge, it would seem to me that it is quite an unfortunate thing for the implication to be carried abroad that an agency whose purpose is to encourage and stimulate American exports is engaged in doing that in the arms field; in other words, that we are actively as a government trying to stimulate our export trade by selling arms around the world.<sup>42</sup>

The Under Secretary of State responded to the congressman with a precise statement of one of the key tenets of American "cold war" philosophy:

MR. ROSTOW. There is no way to promote development, especially for the underdeveloped countries

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<sup>41</sup>/ U. S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 39.

<sup>42</sup>/ Ibid., p. 39.





but equally for the developed countries unless they are reasonably safe and secure in this extremely unsafe and insecure world. Unless basic conditions of order are assured their development efforts will be in vain and indeed will be impossible. There is no inconsistency between exports designed to help assure security and those designed to help assure development. They are all part of the same process of development. /Italics supplied./<sup>43</sup>

Although he seemed to have missed Congressman Bingham's point (it having already been clearly established by him and other committee members that the Bank's purpose was the encouragement of U.S. export trade and not economic development), Mr. Rostow was, in fact, underscoring his own (and his department's) major preoccupation with containing the communist threat through the provision of military and economic support to non-communist states. The question of whether the United States Government was stimulating export trade by selling arms and how that might look to other nations may well have seemed inconsequential to Mr. Rostow. At any rate, when further questioned as to the feasibility of finding other means than making use of the Export-Import Bank to finance arms sales the Under Secretary of State assured the committee that "there was no really practical alternative to the use of this instrumentality."<sup>44</sup> Mr. Barr, the Under Secretary of the Treasury, however, pointed out that there really were

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<sup>43</sup>/ U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 40.

<sup>44</sup>/ Ibid., p. 41.



some alternatives; "you can do it through the appropriations process. You can try to do it through the commercial banking system. ... /or/ you can create an Eximbank in Defense."<sup>45</sup>

After citing the difficulties of attracting financing from commercial banks for many arms sales and listing the already numerous agencies of the government that were competing for available funds in the money market Mr. Barr suggested only two options to the committee:

MR. BARR. I would say it boils down to this ... in my opinion: You can either go the direct appropriations route or you can use the Export-Import Bank. /Italics supplied./ ... this is the issue that is before this committee.<sup>46</sup>

Congressman Garry E. Brown (R - Mich.) had, apparently, been giving some thought to the same kinds of problems inherent in arms transfers that had been surfaced earlier in the year by the subcommittees of the Senate Foreign Relations Committee.<sup>47</sup>

<sup>45/</sup> U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 41.

<sup>46/</sup> Ibid., p. 42. In view of the restrictive legislation later enacted, this would be a prophetic statement. Less than one year later, the administration, prohibited from so employing the Export-Import Bank, would be requesting direct appropriations, via the Foreign Military Sales Act, for the purpose of financing future arms sales.

<sup>47/</sup> It is undetermined whether Congressman Brown had versed himself in the hearings of the Subcommittee on Disarmament or Near Eastern and South Asian Affairs (held in the winter and early spring of 1967) or had arrived at his questions independently. In any event, they were sufficiently remote from the subject matter before his committee as to warrant being noted here.



MR. BROWN. On these occasions arms sales to foreign nations does title pass really to the initial purchaser, but you reserve in effect, by a covenant that it will not be in any way permitted to find itself in another country's hands without your approval?

SECRETARY NITZE. That is correct. That is an absolute provision.

MR. BROWN. Now, then, in the event of a breach of that, in a case where it might go to a third country or a second country which you would not have initially dealt with, how would you reposses it?

SECRETARY NITZE. I would have to ask counsel but I would rather have this researched and provide you with an answer.

(The following information was subsequently provided:)

#### REPOSSESSING SALES EQUIPMENT

Military equipment sold to foreign governments pursuant to the Foreign Assistance Act of 1961, as amended, carry the same strict control of transfer to 3rd countries that the grant assistance carries. In other words, in every sales agreement the purchaser agrees that he will not transfer title to, or possession of, the items furnished unless the consent of the U. S. Government has first been obtained. Also, the purchaser will not disclose, dispose of, or permit use of any plans, specifications, or information pertaining to any items furnished except as authorized by the U. S. Government. Sales through commercial sources, and commercial license agreements for production abroad, are also restricted under the provisions of the International Traffic in Arms Regulations of the Department of State. These regulations require prior written approval of the State Department of any resale or transfer by the original recipient; they also require (1) the identification of all countries in which manufacturing, sale or any other transfer is licensed, and (2) a statement that production in or sale of countries under Communist control is not authorized.

How the U. S. would repossess illegal transfers would depend on the circumstances involved and all legal measures would be utilized to prevent





any possible misuse of this equipment in conflict with the U. S. national interest. <sup>48</sup>

Another problem which had been noted before in different committees sparked Congressman Brown's next question.

MR. BROWN. If we talk about the developing countries ... in the Inter-American Development Bank we are talking about extending credits on the basis that they can improve their economy and all this. It seems to me at the same time, through these other transactions, Exim and all that, we are by and large drawing upon the capital aspect of the country, its ability to develop by selling arms to them. Now, isn't it somewhat inconsistent? <sup>49</sup>

The Under Secretary of the Treasury, Mr. Barr, responded that in his opinion, and "on the advice of our colleagues in State and Defense ... these countries [Latin American] do need a certain modicum of arms for internal security and a minimum of arms for external security. "<sup>50</sup> This being true, it only seemed reasonable to Mr. Barr that the Latin American nations "get these arms on the most advantageous credit terms that we can provide, to leave for them the greatest amount of resources necessary for their development, for their economic development. "<sup>51</sup>

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<sup>48/</sup> U. S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles , pp. 48-49.

<sup>49/</sup> Ibid. , p. 50.

<sup>50/</sup> Ibid. , p. 50

<sup>51/</sup> Ibid. , p. 50.





Mr. Rostow, speaking for the State Department (and probably interested in preventing the question of arms sales to Latin American countries from becoming an issue in this committee -- as it already was in others), quickly volunteered the following:

MR. ROSTOW. If I may add this on the Latin American problem, the Latin American countries spend less than 2 percent, 1.75 of their gross national product on their defense budgets, less than any other part of the world except sub-Sahara and Africa.

They have the smallest percentage of men in their armed forces of any part of the world. A very large part of their military budgets are devoted basically to public works. There is of course, the conspicuous items, the supersonic planes and so on that get a good deal of attention. But fundamentally these military budgets are low.

We have been trying to get agreement among these countries about arms levels. It is an extremely difficult thing to negotiate, very much more difficult for them than for us, for reasons of internal political sensitivity, but basically these expenditures are kept to an absolute minimum, and we try and they try to fit them into their development programs, so as to provide a minimum burden.<sup>52</sup>

If any of the members of the House Committee on Banking and Currency (other than Congressman Brown) were really cognizant of the issue of illegal arms transfers to third countries, dissipation of scarce development capital through arms sales, or the bolstering of Latin American non-democratic governments through the provision of modern weapons, they chose not to challenge the administration on this

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<sup>52/</sup> U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 50.



occasion. No one moved to press Mr. Brown's probes deeper and the responses made by Mr. Nitze, Mr. Barr, and Mr. Rostow were apparently accepted as being satisfactory. The members were, however, still very much upset about the now disclosed role of the Export-Import Bank in financing the sale of U. S. manufactured arms. Congressman Reuss again singled out the Bank president, Mr. Linder, for close interrogation.

MR. REUSS. I call your attention to section 3 of the Eximbank legislation which says that the Export-Import Bank, "shall constitute an independent agency of the United States, and neither the bank nor any of its functions, or duties shall be transferred to or consolidated with any other agency or department of the Government unless the Congress shall authorize by law."

Don't you think what you have done in the last 2 years is to turn over more than half a billion dollars' worth of lending discretion to the Department of Defense, which collides with the mandate?

MR. LINDER. No, I do not, sir. As a matter of fact, I have made no commitment for the current year as to what we would do in respect to the Department of Defense guarantees. It is a conscious decision made by our Board of Directors, which as you know is a bipartisan board. Each decision has been made unanimously with respect to these sales. What we are doing is to say in effect that, in these specialized cases, we are making loans on the basis of a good and valid guarantee. We must assume that they are in the national interest, since both the State Department and the Department of Defense want the loans made. We have not transferred our authority, because we determine each time whether we will do it or not, and we give the Department of Defense a total limit within any particular fiscal year. *(Italics supplied.)*<sup>753</sup>



It would seem that the sense of Mr. Linder's rather disjointed reply was that he had not "collided with the mandate" of the Bank's authorizing legislation because each arms sale transaction involving Department of Defense guarantees had been made freely, consciously, and unanimously by his Board of Directors on the assumption that each such sale was in the national interest. If it was Mr. Linder's intention to obscure the point that while decisions on country - X transactions may have been free, conscious, and unanimous, they were based on practically no information, it would be the pleasure of Mr. Reuss and Mr. Widnall to bring that point to the committee's attention.

MR. REUSS. I notice that recently we have been on both sides of the arms race in the Middle East contributing on the one hand to Israel and on the other among others to Jordan and Saudi Arabia. Does that seem wise?

MR. LINDER. I do not think that is a question which I should answer, sir, because I did not know we were on both sides or either side of that race.

MR. WIDNALL. Why do you have a Board of Directors? Do they approve the loan and have nothing to do with the loan? Should we not eliminate this nonsense?

MR. LINDER. There was no nonsense about it.

MR. WIDNALL. They don't know what the loan is, to what country it is going. They don't know what country it is going to. Why should the Export-Import Bank be involved?

MR. LINDER. It is a financing agency . . . The Board of Directors of the Bank has this function to play -- to determine to what extent it wishes to extend credit based upon the DOD /Department of Defense/guarantee,





which guarantee is set aside from appropriated funds.<sup>54</sup>

It had, by this time, grown late in the day and both the committee members and the distinguished panel of witnesses must have been tired. Mr. Reuss, however, had two further points to raise. The first dealt with control of the Bank's lending power and the second with rates of interest for country - X loans.

MR. REUSS. Let me ask, Mr. Linder, isn't it a fact that there are now no limits on the amount of guarantee loans which Export-Import Bank can make for armament shipments all around the world?

MR. LINDER. Certainly there are limits. For example, the Appropriations Committee each year determines the total amount of loan guarantees and insurance we can make in each given year. This is not a limit just on military business. But our Board of Directors must take this limitation into account when making decisions on the various types of nonmilitary, commercial commitments it will make, and the various types of direct and guaranteed military commitments it will make.

MR. REUSS. But in practice since you have used last year more than 25 percent of your total without informing the committee, there would have been nothing if we had not had today's happening, there would have been nothing to stop you from using 90 percent. /Italics supplied./

MR. LINDER. Well, I think our own prudence might.

MR. REUSS. Except your own prudence.

MR. LINDER. Our prudence might have been sufficient

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<sup>54/</sup> U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 61.



to be sure we would not distort our business completely.<sup>55</sup>

Apparently satisfied that his fellow committee members had registered this point, Congressman Reuss brought up the question of interest rates.

MR. REUSS. You made some of these loans [country - X, presumably] to Jordan, Morocco, Pakistan, Venezuela, at interest rates as low as 3 percent. That does not begin to pay the Government the cost of raising that money, does it?<sup>56</sup>

After some hedging as to which branch of the administration had provided the committee with that information (it was the Treasury Department), Mr. Linder admitted that the Bank had made such loans.

MR. REUSS. Well, when you make a loan at 3 percent interest, when you have to pay 5-1/4 for your certificates of participation, the taxpayer is in effect making a grant of that interest, is he not?

MR. LINDER. Mr. Reuss, at that time we did not have to pay 5-1/4 or 5-1/2.

MR. REUSS. But you have to pay more than 3.

MR. LINDER. That is a charge to the borrower. It is not our charge [apparently referring only to the 3 percent figure].

MR. REUSS. I know it, but you have to get the

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<sup>55/</sup> U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 62.

<sup>56/</sup> Ibid., p. 62.



money from somewhere, and the somewhere is the U.S. taxpayer. . . . Can you give me examples of Eximbank loans to countries for peaceful goods which you made at 3 percent interest rate?

MR. LINDER. No, I have not made any of these at 3 percent interest rates.

MR. REUSS. The DOD does at 3 percent if you guarantee it.

MR. LINDER. The interest rate coming to us is not that. Let me explain that during the last year all of the loans that we made under DOD guarantee, if I recall correctly, were at 5-1/2 percent. Now, what DOD charged the borrower I do not know.<sup>57</sup>

A few minutes later, Mr. Linder, answering a question from committee member Brown, further emphasized this interesting interest rate differential.

MR. LINDER. What their [DOD's] relationship with the borrower is I do not know, and when I say that, they may conceivably have decided to lend the money at 2 percent. I don't suggest that they do. All I am suggesting is that in 1967 . . . all of our loans were made at 5-1/2 percent. [Italics supplied.]

MR. BROWN. Then you can say that in fact you do establish the interest rate?

MR. LINDER. I do. I do say so, to DOD, not to the borrower. DOD can negotiate another rate with the borrower if they so choose.<sup>58</sup> [Italics supplied.]

If, in fact, the Department of Defense had been (and was still)

<sup>57/</sup> U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, pp. 62-63.

<sup>58/</sup> Ibid., p. 69.





able to negotiate credit arms sales at low interest rates in the vicinity of 3 percent but was, on the same loans, repaying the financing agency (the Export-Import Bank) with 5-1/2 percent interest, anyone might be tempted to ask where the Department of Defense was obtaining the funds which made up the difference. Mr. Barr, the Under Secretary of the Treasury, attempted to clarify this question in favor of the Department of Defense by giving the following example:

MR. BARR. Let's say you had a \$30 million loan, Exim picked up 20, MAP, the Defense Department kept 10. Now, Exim determines the interest rate on their portion of the loan. Say it is 5 percent on the 20. DOD can determine the rate of return on their portion of the loan. The two combined, let's say one was 5, the other was 3, you would come out with a ratio of some place around 4-1/2.<sup>59</sup>

Looked upon as really separate loans, those portions financed by the Export-Import Bank at, perhaps, 5-1/2 percent interest would be assumed to be repaid by the borrowing country at 5-1/2 percent interest; those portions financed by the Department of Defense at, perhaps, 3 percent interest would be assumed to be repaid by the borrowing country at that rate. Both portions of such loans, therefore, would be repaid to their respective lenders at their respective rates and no one lender (the Department of Defense, in this case) would be obligated to "make up" any rate differential. The point was still not

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<sup>59/</sup> U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 70.





clear, however, to Congressman W. E. Brock (R - Tenn.).

MR. BROCK. But the point is the interest paid to DOD is not the same as the interest DOD paid the Eximbank. The loan that Mr. Linder makes for all practical purposes is to DOD and not to any country. The loan between the country and DOD is negotiated between those two, and it has no relevance to the 5-1/2 percent that Mr. Linder may charge DOD.

MR. BARR. Oh, yes. If they decide they are going to cut the 5-1/2 percent rate, then DOD has to subsidize the loan by giving a lower rate of interest on their portion.

MR. BROCK. That is what I am saying.<sup>60</sup>

Congressman Jonathan Bingham (D - N. Y.) wanted to be absolutely clear about the interest rates and asked the Deputy Secretary of Defense the following question.

MR. BINGHAM. Am I correct in saying first of all that on that portion of the loan which is laid off to the Eximbank, the charge to the borrower is the same as the interest rate that the Eximbank receives from DOD?

MR. NITZE. I think it is, but Mr. Linder may have a reservation.

MR. BINGHAM. It is not a matter for Mr. Linder to answer. It is a matter for you to answer, Mr. Nitze, it seems to me. Mr. Linder does not know what the interest rate charged to the borrower is. All he knows is what the interest rate is charged to the DOD.

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<sup>60</sup>/ U. S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 70.



MR. NITZE. You are quite right. My understanding is that that portion of the loan which is laid off to Eximbank, the rate is the same to the borrower as it is from DOD to us.<sup>61</sup>

It would not be surprising, from the testimony, if some of the committee members left the hearing that day with the impression that the Department of Defense, in playing its role of "honest broker" between customer nations for credit arms sales and the financing agency -- the Export-Import Bank -- might be enticing buyers with 3 percent terms while using the taxpayers' money to meet repayments to the Export-Import Bank at the higher rate of 5-1/2 percent. This is typical of the misunderstandings prone to occur when fairly complicated and previously hidden administrative procedures are finally and reluctantly brought before the Congress.

At the end of this long day of testimony, after some very courtroomlike cross-examination of the administration witnesses, many of the committee members could likely have made the same philosophical comment voiced by Congressman Thomas Ashley (D - Ohio).

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<sup>61/</sup> U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 71. Despite Mr. Nitze's statement, an article by Neil Sheehan in The New York Times of July 31, 1967 interpreted the testimony taken at this hearing to mean that, "the Defense Department has apparently been subsidizing the interest rates on its arms sale loans to underdeveloped countries by charging the recipients lower rates than it pays to the Export-Import Bank for money it borrows."



MR. ASHLEY. The question logically must present itself in our minds and in yours as to where this may lead. We see an increase in the very few years from zero percent to about 25 percent. We are told that there is no statutory inhibition that will prevent this from escalating to a very considerably increased proportion. What is the thinking in this regard? To what extent are we going to allow a dilution in the financing of nonmilitary exports and imports which really, truly, was the original purpose of establishing the institution? You cannot have both. To the extent that there is a limitation on the Bank's resources, you are going to finance one or the other. /Italics supplied./<sup>62</sup>

## HEARING BEFORE THE SENATE COMMITTEE ON BANKING AND CURRENCY

One week later, on July 25, 1967, the Senate Banking and Currency Committee held its hearing on the subject of Export-Import Bank participation in the financing of credit arms sales. Like its House counterpart, this committee had already heard testimony from the Bank's president, Mr. Harold F. Linder (on May 16, 1967) in support of extending the life and the lending powers of his organization. Like its House counterpart, this committee had also not been advised at that time of the Bank's role in the financing of arms sales arranged by the Department of Defense. This hearing, on July 25, was held in executive session, as was the hearing before the House Banking and Currency Committee during the previous week. The transcripts of

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<sup>62/</sup> U. S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, p. 67.





both hearings were subsequently ordered to be printed for the public record, the executive branch having had some opportunity to make various deletions for security purposes.

As had been the case in the House, the Senate committee had already made a favorable report on the Bank extension bill (attaching only two amendments -- shortening the name of the Bank and prohibiting the Bank's participation in credit extensions in connection with the purchase of any product by communist countries or any product known to the Bank to be designed principally for use in or sale to a communist country). The chairman of the Senate committee, Senator John Sparkman (D - Ala.), had, it seems, narrowly avoided addressing an amendment offered just before the July 4 holiday recess by Senator Allen J. Ellender (D - La.).<sup>63</sup> Senator Ellender, a member of the Senate Appropriations Committee (but not of the Banking and Currency Committee), had a long-standing reputation of hostility towards military assistance to the developing countries. He had been instrumental in the Senate's adoption of a \$55 million limit on military equipment furnished to the Latin American countries and a \$25 million limit on like equipment furnished to the African countries. In 1964, Senator Ellender had opposed passage of the amendment to the Foreign Assistance Act which provided the authorization for 25

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<sup>63/</sup> U.S. Congress, Senate, Export-Import Bank Participation and Financing in Credit Sales of Defense Articles, Hearings Before the Committee on Banking and Currency, 90th Congress, 1st session, (Washington: US Government Printing Office, 1967), p. 2.



percent guarantees by the Department of Defense on credit arms sales. Now, in 1967, he was dedicated to the proposition that Congress never intended that the Export-Import Bank should permit its facilities to be used to provide credit for arms sales. If the administration officials responsible for military assistance and arms sales were going to lock step their way through just one more pass in the legislative terrain, they must first confront Senator Ellender who was intent on heading them off there.

The same representatives of the administration, Mr. Rostow, Mr. Nitze, Mr. Barr, and Mr. Linder, presented themselves before the Senate Banking and Currency Committee. Senator Ellender had been invited (at his request) to attend and was extended the privilege of joining the regular committee members at their table. He was also invited to begin the hearing with a statement of his position.

Senator Ellender outlined the history of the Bank, describing an organization that was chartered by the New Deal administration of the mid-Thirties simply to help promote economic stability in the United States by assisting the movement of American exports abroad. The Bank then, he reminded the committee, was strongly neutralist in character -- reflecting the mood of the neutrality period. In 1940, a special proviso was enacted, prohibiting the Bank from financing credit arms sales and aligning it with the Neutrality Act of 1939. This proviso remained in force until the Bank was reorganized in 1945; it was not renewed, according to Senator Ellender, because



"no thought was given to the possibility that the Bank would someday be used to finance the exports of our arms and munitions factories."<sup>64</sup> The newly discovered use of the Bank's facilities to do exactly that amounted, he felt, to

... a perversion and a contradiction of its efforts to further the economic development of those less-developed nations with which we trade. This perversion has been accomplished supposedly as a means of assisting our balance-of-payments position, but in reality these transactions are of very minor importance. It has also been justified on the grounds that we must send arms abroad because of the activities of Russia and Red China. If this is true, and if a valid foreign policy objective can be met by the export of arms to less-developed nations, the Department of Defense has ample authority on hand to accomplish this end without involving the Export-Import Bank in this program.<sup>65</sup>

Although Secretary of Defense McNamara had acknowledged that the Export-Import Bank was not chartered for the purpose of extending credit for procurement of military weapons (in testimony before the Senate Appropriations Committee in 1964 -- quoted now by Senator Ellender), it was now doing exactly that, and apparently at the behest of Secretary McNamara. Senator Ellender pointed out that the Secretary had, in 1964, promised him that the Department of Defense

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<sup>64/</sup> U. S. Congress, Senate, Export-Import Bank Participation and Financing in Credit Sales of Defense Articles, p. 4.

<sup>65/</sup> Ibid., p. 5.





"would not use credit guarantees to foster procurement of equipment from us when it meant that a developing nation, such as most of those in Africa and Latin America, would be diverting needed funds from economic development to military procurement."<sup>66</sup> The Senator voiced some shock at discovering now that (according to figures which he introduced) in fiscal 1967 the Department of Defense possibly had not only exceeded the monetary limits for proposed military assistance grants to Latin America and Africa (\$72 million and \$31.8 million respectively, according to the Senator), but that the Department seemed to be circumventing those limits through the use of credit arms sales (\$29.6 million to Latin America, \$25.6 million of which were financed by the Eximbank with Department of Defense guarantees, and \$16.5 million to Africa, \$14.2 million of which were financed by the Export-Import Bank).<sup>67</sup>

As an even more flagrant example of the administration's use of the Export-Import Bank's lending authority to outflank congressional intent, Senator Ellender cited the following case:

... last year, then the final vote came on the foreign aid bill, when I found out that \$57 million of the amount appropriated in the

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<sup>66/</sup> U. S. Congress, Senate, Export-Import Bank Participation and Financing in Credit Sales of Defense Articles, p. 6.

<sup>67/</sup> Ibid., p. 9. These figures were provided to the committee by Senator Ellender and were said to have been obtained from the Department of Defense by the Senator's staff.





foreign aid bill was going to be used in order to sell military hardware to Pakistan and India. I objected to that and I presented to Congress reasons why I thought the \$57 million should be stricken from the foreign aid bill. Congress agreed with me, My amendment was adopted and the House concurred in the amendment.

Notwithstanding the fact that Congress eliminated the \$57 million from the foreign aid bill, DOD, through the Eximbank, sold to India and to Pakistan \$75 million worth of equipment. I just think, Mr. Chairman, that this is going too far. /Italics supplied./<sup>68</sup>

Senator Ellender had, prior to the July 4 recess, attempted to introduce before the committee a strong amendment which would clearly prohibit the Export-Import Bank from participating in any way with any credit sale of any defense article to any foreign country, or agency or national thereof. Chairman Sparkman had put him off at that time -- the bill having been already voted out of the committee. Congressional interest having now demanded another set of hearings on the Bank extension bill, Senator Ellender was given another opportunity to press his amendment. He had by now, he told the committee, discussed his stringent proposal with Mr. Nitze, Mr. Rostow, Mr. Barr, and Mr. Linder. They had suggested to him, he stated, that existing US Government commitments to developed countries such as England and Japan would be jeopardized by such an amendment. Senator Ellender, therefore, proposed to the committee two alternative

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<sup>68/</sup> U. S. Congress, Senate, Export-Import Bank Participation and Financing in Credit Sales of Defense Articles, p. 9.



amendments; one, making the same strict prohibition but allowing the enforcement of contracts already negotiated, and, the second, prohibiting the Bank from participating in any way with any purchase of any defense article by any less-developed country and, also, prohibiting Bank participation in connection with the furnishing or sale of any defense article to any foreign country under the military assistance portion of the Foreign Assistance Act.<sup>69</sup>

Following Senator Ellender's appearance, it must have seemed to the administration's representatives that they could hardly have had a less auspicious introduction. Each of them in turn, read statements to the committee which were very similar to those which they have given before the House Banking and Currency Committee a week before. Mr. Linder, for his part, reiterating the legal basis for his bank's participation in financing credit arms sales and also his claims of disclosure to the chairman of both the Senate and House Committees on Banking and Currency. These remarks immediately drew the fire of Senator Wallace Bennett (R - Utah), the minority leader in the committee, who was upset because he and other minority members had never been informed of the Bank's connection with arms sales. Senator William Proxmire (D - Wis.), a majority member of

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<sup>69/</sup> U. S. Congress, Senate, Export-Import Bank Participation and Financing in Credit Sales of Defense Articles, pp. 10-11. The citation provides the exact text of these amendments as they were proposed.



the committee, was also upset and demanded to know if the Bank president would keep the committee informed in the future, not just of what loans the Bank had made but what loans it would propose to make in the future. Perhaps chastened by his experience before the House, Mr. Linder assured the Senators that he would keep them informed in the future and would "weigh the committee's advice most carefully" should the committee feel that the Bank was "going too far."<sup>70</sup>

Mr. Rostow repeated his "unsafe and insecure world" thesis, again citing communist competition in the provision of arms to the third world, and again reviewing the various criteria for arms sales decisions. Mr. Barr again provided the Treasury Department's views supporting the continued involvement of the Export-Import Bank in making arms sales. Finally, Mr. Townsend Hoopes (now the Acting Assistant Secretary of Defense for International Security Affairs -- and Mr. Henry Kuss' new immediate superior) spoke for Mr. Nitze and the Department of Defense. Mr. Hoopes traced the shift away from grant aid and towards sales within the framework of the Military Assistance Program. Then, moved by recent criticism in the press, he launched into a discussion of policy control.

Let me say a word about the important, and widely misunderstood, question of policy control over military

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<sup>70/</sup> U.S. Congress, Senate, Export-Import Bank Participation and Financing in Credit Sales of Defense Articles, pp. 17-18.





sales. I note that Senator Symington's press release yesterday /The New York Times, July 25, 1967./ charged the administration with a lack of coordination and stated that "there is evidence to suggest that the amount, type, and destination of American military equipment sold abroad is determined by middle-level officials in the Department of Defense." I want to state flatly and in strong terms that this is simply not true. The Defense Department does not conduct a military sales policy independent of other elements of the U. S. Government. Our entire arms policy is in fact an instrument of foreign policy, and the military sales program is an accurate reflection of considered agreement at the highest levels of authority. No policy question arises with respect to military sales to our NATO allies, for it has been our purpose for 20 years to strengthen them against major military threats to us both. However, all requests for arms purchases from countries of the Middle East, Asia, Latin America, and Africa are subject to the most intensive review and debate within our Government; . . . On every government-to-government credit sales transaction, the Secretary of State and Defense have given their approval, and the matter has been frequently carried to the President. /Italics supplied./<sup>71</sup>

Mr. Hoopes admitted, however, that,

It is true that a number of minor commercial transactions for cash do not receive the same degree of high-level policy scrutiny. Even these, however, require the issuance of an export license by the Munitions Control Office of the State Department, and are subject to careful review within established policy guidelines. In all borderline cases, the Defense Department is consulted before a license is issued.<sup>72</sup>

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<sup>71/</sup> U. S. Congress, Senate, Export-Import Bank Participation and Financing in Credit Sales of Defense Articles, pp. 27-28.

<sup>72/</sup> Ibid., p. 28.



It is interesting to note the administration's sensitivity to this question of policy control of arms sales. Senator Symington, whose charge had sparked Mr. Hoopes' response, was not a member of the Banking and Currency Committee, nor was he present at this meeting in a like capacity to Senator Ellender. The question of policy control had not been raised by the House Banking and Currency Committee and there seems to be no evidence to indicate that it would be a likely issue at this hearing. It had, of course, been an issue before other committees earlier in the year and, perhaps, the administration officials realized that they were now appearing before one of the last forums of the Congress before the whole matter of foreign aid, military assistance, and arms sales would begin to undergo the test of voting -- in short, they may simply have wanted this day in court in order to plead as much of their case as possible.

If the House committee had felt it necessary to wring from the Bank president and the other officials of the administration guilty admissions about disclosure and strenuous justifications for their policy, the Senate committee had no such intention. Following their initial presentations at the Senate hearing, Senator Edmund Muskie (D - Me.) addressed the representatives of the State, Defense, and Treasury Departments and the President of the Export-Import Bank in a straightforward manner.

SENATOR MUSKIE. Getting to what seems to me to be the heart of the problem before this committee, the



first question we face is one over which we, strictly speaking, do not have jurisdiction. The principal question is whether or not we should be involved in sales of military hardware to any countries overseas. Those countries fall into two groups, first the industrial countries and second the developing countries.

Senator Ellender's position is not that we ought not to be selling military hardware to the industrial countries. His objection seems to be that we ought not to be selling through the medium of Eximbank financing.

I don't know of any opposition in the Congress to sales of military hardware to the industrial countries. . . . The question is as to whether or not it ought to be done with Eximbank financing.<sup>73</sup>

Senator Muskie then set about in a businesslike way to determine whether, a) it was essential that credit be available for sales to industrialized countries, and b) there might be some alternative means of arranging for credit, other than through the Export-Import Bank. Mr. Linder recited, as he did before the House committee, all of the reasons why ready cash was not normally available, even in the industrial countries for large arms purchases and why commercial sources of credit were not interested in financing arms sales (e.g., long-term contracts, low interest rates, time lags between the extension of credit and the initiation of repayment, and the yearly budget uncertainties of loan recipients). Senator Muskie next asked about the impact of Senator Ellender's most restrictive amendment, should it be enacted, on any arms sales which might now be coming "over the horizon" and

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73/ U. S. Congress, Senate, Export-Import Bank Participation and Financing in Credit Sales of Defense Articles, pp. 29-30.





which might be in the national interest. Mr. Barr pleaded that sales would be necessary to Europe, Japan, Australia, and New Zealand in order to offset our balance-of-payments costs in those areas -- the maintenance of a forward defense posture being in the United States national interest. Mr. Rostow provided an example of a potential customer for arms in the developing world.

MR. ROSTOW. In this tense and delicate situation in the Near East where the main thrust I suppose is going to be from the radical Arab countries toward the moderate Arab countries in whose future we have an enormous stake, we have problems now.

For example, Morocco is next door to Algeria which is becoming the leader of the radical Arabs. Enormous quantities of Soviet arms have been poured into Algeria. The Moroccans are anxious, and understandably so. To insure their security, they may need to make certain additional arms purchases, and in any such transactions, credit will have to be supplied. [Italics supplied.] 74

It is certainly noteworthy that even now, in late July, after nearly seven months of the strongest congressional criticism of the administration's policy of "encouraging arms races in the third world," the Under Secretary of State for Political Affairs would volunteer this little scenario, flagging still another American supported arms race now visible "over the horizon." Obdurateness was definitely a facet of Mr. Rostow's character.

Despite the relatively hospitable reception which the Senate

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74/ U.S. Congress, Senate, Export-Import Bank Participation and Financing in Credit Sales of Defense Articles, p. 35.





committee had thus far provided the representatives of the administration, a vein of ire on the subject of disclosure did lay close beneath the surface. As Mr. Barr, the Under Secretary of the Treasury, attempted to explain the problem of financing credit sales to developing countries he drew this reaction from Senator Bennett,

SENATOR BENNETT. I think a large part of your problem grows out of the fact that you have treated this committee according to the old formula that was described when I was very young for the way to get along with girls you took out on a date. . Take them nowhere and tell them nothing. That is what you have been doing.

MR. BARR. I would concur with your observation. That is the reason we hope these hearings will be as forthright and as candid as we can make them. We would like to repent for past sins. *Italics* supplied./ 75

If, by his ready contrition, Mr. Barr hoped to forestall additional criticism on the same subject, he would be disappointed. Senator Proxmire's feelings were still ruffled.

SENATOR PROXMIRE. I have carefully read the hearings in the House. From Congressman Widnall, who is very much concerned about this, and very angry about it, and I think dead right, and Congressman Reuss, none of these people are against selling arms as I understand it. As Senator Muskie brought out, there is nobody opposed to providing arms for our friends. It is a matter of being deeply concerned, (a) about being kept informed, and (b) about making sure that in the future there is sufficient consideration



on the part of the Congress so that we have something to say about it. /Italics supplied./<sup>76</sup>

Mr. Rostow, responding to Senator Proxmire, echoed Mr. Barr's apology.

MR. ROSTOW. With respect to the question of congressional briefing, we recognize there has been a problem here between the Executive and the legislative branch in connection with these transactions, how much briefing, when and how. The relationship between Congress and the Executive on foreign policy matters is a problem I suppose that nobody has really been able to describe very exactly since 1789. What has happened here with respect to briefing your committees on Eximbank arms sales I think has been an oversight and a development that we regret. /Italics supplied./<sup>77</sup>

The administration's position with regard to its apparent failure to seriously apprise the Banking and Currency Committees of its utilization of the Export-Import Bank's lending facilities was to be that it was simply an "oversight" -- and a unique oversight at that; the other appropriate committees of the Congress having been kept properly informed. Even that position, however, immediately was shown to be vulnerable. While defending the use of the Bank as opposed to other alternatives, Mr. Rostow invited this exchange,

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<sup>76/</sup> U. S. Congress, Senate, Export-Import Bank Participation and Financing in Credit Sales of Defense Articles, p. 39.

<sup>77/</sup> Ibid., p. 39.



MR. ROSTOW. There is no particular reason why loan transactions should be handled from appropriations when they can be handled by loan, with the strength of the Eximbank's credit.

SENATOR PROXMIRE. Except that this does involve a substantial commitment of appropriations of funds by the Congress. I don't see any reason why the Congress shouldn't be informed through the appropriation processes. Otherwise it is a back door method, isn't it?

MR. ROSTOW. But the Appropriations Committees have been informed about these transactions.

SENATOR PROXMIRE. I am on the Appropriations Committee. I have been on it for 5 years. Nobody ever told me a thing about this. /Italics supplied./ 78

There had already accumulated, of course, considerable testimony from the hearings of the House Appropriations Committee, as well as the House Foreign Affairs Committee and the Senate Foreign Relations Committee (and its subcommittees) which intimated that disclosure had, in fact, been significantly less than the administration was now claiming. Senator Proxmire chose, however, not to press this point; he was much more interested in finding a suitable alternative to using the resources of the Export-Import Bank for financing arms sales.

SENATOR PROXMIRE. Why wouldn't it simplify it for you if this were handled by direct appropriation, authorized by the Foreign Relations Committee in the

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78/ U.S. Congress, Senate, Export-Import Bank Participation and Financing in Credit Sales of Defense Articles, pp. 40-41.





Senate and the Foreign Affairs Committee in the House, and handled by an appropriation of the Appropriations Committee. Then you can forget about this committee and the Eximbank and the appropriation is cleared, and Congress can debate this. It is obviously highly controversial, not in terms of whether we should make sales. Of course we should. We have to. But whether we should make sales to Jordan, whether we should make sales to Egypt, and some of the other countries.  
*/Italics supplied./* 79

Throughout all of the hearings conducted on the issue of foreign assistance and military assistance and arms sales during that spring and summer of 1967, perhaps no more direct challenge had been made to the administration's hegemony in the field of foreign policy. The dispensation of military equipment, whether through grants or sales, is in itself the making of foreign policy. Indeed, the provision of arms to some and the withholding of arms from others is one of the most virile demonstrations of foreign policy -- short of war -- of which a nation is capable.<sup>80</sup> The determination of who among client states should be armed, the types of weapons they should receive, and the manner of payment that should be made has always been a zealously

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<sup>79/</sup> U.S. Congress, Senate, Export-Import Bank Participation and Financing in Credit Sales of Defense Articles, p. 41.

<sup>80/</sup> The provision of arms is frequently a concomitant of other demonstrations of foreign policy such as alliances, treaties, or guarantees, and ranks immediately below the provision of troops (as in NATO or Korea) as an indication of commitment. The provision of arms may also, however, constitute a demonstration in substitution of the more binding commitments -- the apparent intention of the Nixon Doctrine is an example of this utilization of military assistance.



guarded function of the chief executive and his close associates. To surrender this function to the Congress, to hand over to congressional debate the ultimate decisions as to which friendly nations should be armed by the United States and, inevitably, when, how, and under what terms they should be armed would not only invite indiscretion but would relinquish to the Congress one of the sinews by which the President exercises foreign policy. Senator Proxmire's suggested alternative had been offered, at least at face value, as a means of "simplifying" the evolution of arms sales; the adoption of his alternative would have doubtlessly simplified the role of the President in making foreign policy as well. Committed to the cold war philosophies of containment of and competition with the communist powers, the United States Government would be, then, restricted to arming only those of its friends that might have sufficient cash to pay outright for weapons. Arms sales to the rest, industrial and developing, would depend upon resolution of the many conflicting interests within the Congress -- just as grant aid military assistance had always done. More disturbing, that resolution could only come after subjecting each transaction to the test of public debate -- a questionable procedure for essentially diplomatic business that is frequently delicate.

It would not have been surprising if the Under Secretary of State had taken issue with Senator Proxmire over this suggestion. He did not. Instead, Mr. Barr asked to be allowed to supply for the record the Treasury Department's reasons for feeling why the Export-Import



Bank was the appropriate instrument of government for financing arms sales. Mr. Barr's reasons were pragmatic and without reference to the larger question of which branch of the government should exercise foreign policy through arms sales decisions. Among those he gave were; export financing being principally a banking function, the familiarity of the Eximbank with the money market, the promise of full disclosure of the Bank's involvement, the difficulty of predicting the amount of required credit (which would be a necessity under any appropriations scheme), and the reversal of the downward trend of military assistance appropriations (together with an increased budget deficit). Perhaps, because they had already been made to feel so vulnerable on the subject of disclosure -- or perhaps just because it was by now nearly six o'clock in the evening, the administration officials completely sidestepped the really central issue of the whole debate on military assistance and arms sales -- the question of who would exercise foreign policy through the control of the program.

The hearing was concluded with some remarks by Senator Gale W. McGee (D - Wyo.), who, like Senator Muskie, wanted to maintain the issue in an appropriate perspective for this committee.

SENATOR McGEE. I gathered from what the chairman said earlier this afternoon that he interprets the jurisdiction of this committee to be in this case not the re-examination of the fundamental policies at stake here in terms of foreign policy or defense policy, but whether the Export-Import Bank has a proper place in this operation. . . . It seems to me what this committee has to decide then is whether, if these are to





be our policies, what the other options are, whether there is somebody better than Export-Import Bank to do it.<sup>81</sup>

The significance of this hearing, and of the House Banking and Currency Committee hearing of the previous week hardly needs to be underscored. The issue of Export-Import Bank participation in the financing of arms sales had been nourished throughout the spring and early summer in hearings before other committees and in the press -- the committees which had jurisdiction over the Bank could hardly ignore the seeming notoriety which had come to be associated with this function of the institution. As the testimony before both the House and Senate Banking and Currency Committees clearly indicates, whatever efforts the administration might have made to acquaint those committees with the Bank's increasing role in this regard had been, at the very least, ineffectual; committee members simply did not know that the Bank was financing the sale of military equipment. Aside from the rancor caused by this absence of disclosure, the attendant issues of administration encouragement of arms sales to underdeveloped countries and the possible perversion of the Bank's supposedly benign mission tended to estrange members of the Congress who had previously offered no threat to the prosperity of the Military Assistance Program. The legislative action which the Banking and

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<sup>81/</sup> U. S. Congress, Senate, Export-Import Bank Participation and Financing in Credit Sales of Defense Articles, pp. 48-49.





Currency Committees would finally recommend that year would act to restrain one of the essential portions of that program.



## CHAPTER VI

### THE LEGISLATIVE RESTRAINT TAKES FORM

With the exception of the Senate Appropriations Committee, all of the committees of the Congress whose jurisdictions touched on the Military Assistance Program (and arms sales financed by the Export-Import Bank) had completed their review of the program by mid-July 1967.<sup>1</sup> The Senate Appropriations Committee had, of course, to await the passage by the House of the Foreign Assistance and Related Agencies Appropriations Bill for Fiscal Year 1968 before it could conduct its hearings and decide what its amendments to that act would be. The first clear indication of the results of nearly six months of legislative oversight of the Military Assistance Program would come in the form of the reports of those committees which had finished their hearings. The committee reports would establish the positions of those key members of the Congress responsible for the passage of the three pieces of

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<sup>1</sup>/ The jurisdiction of the Senate and House Armed Services Committees could be said to touch tangentially on the Military Assistance Program, in that the program supported allied forces which were largely designed to complement the United States Armed Services over which these committees had primary legislative responsibility. In 1967, however, these committees did not enter into the controversy which attended the passage of legislation restraining the Military Assistance Program.



legislation which regulated the conduct of the Military Assistance Program (that is, the Foreign Assistance Act of 1967 which authorized the program, the Foreign Assistance and Related Agencies Appropriations Act which would provide funds for the program, and the Export-Import Bank Extension Act which would address Bank participation in financing arms sales).

## PASSAGE OF THE FOREIGN ASSISTANCE ACT OF 1967

### The Committee Reports

The draft Foreign Assistance Act which the executive branch had sent to Capitol Hill in February 1967 had been somewhat ambitious in regard to suggested changes to the Military Assistance Program. In addition to the requested obligational authority of \$596 million (which was not a large figure when compared with previous program authorizations), the administration asked that military assistance authorizations be made on a bi-annual basis, thus lapsing the requirement for a yearly approach to the Congress and evidencing "Congressional recognition that military assistance is in our national interest, that the program does occupy an established place in our overall foreign policy, and that there is a long term security job to do."<sup>2</sup> The draft also suggested:

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<sup>2/</sup> "Explanation of Amendments Proposed by the Executive Branch to Part II (Military Assistance Program) of the Foreign Assistance Act of 1961, as Amended," found in U.S. Congress, House of Representatives, Foreign Assistance Act of 1967, Hearings Before the Committee on Foreign Affairs, 90th Congress, 1st session (Washington: U.S. Government Printing Office, 1967), p. 188; see at Appendix O.





the transfer of support for Laos, Thailand, NATO infrastructure, and International Military Headquarters to the defense budget (as was noted earlier); the elimination of the "40 country restriction" which the Congress had previously imposed on military assistance as "an arbitrary restriction on the President's ability to respond quickly to changing world requirements;"<sup>3</sup> the reimbursement of the Military Assistance Program for material procured with its funds and bartered with foreign countries for other material which was then transferred to any other United States Government agency; and, finally, that authority be given the Defense Department to

... arrange in advance with U. S. suppliers [of arms] to acquire from them promissory notes issued by foreign countries and either hold these or dispose of them, in whole or in part, to appropriate financial institutions.<sup>4</sup>

This last suggestion, the executive branch had pointed out, "would only provide an additional optional means of utilizing available funds to carry out approved programs for the assumption by friendly countries of a larger share of the burden of their own defense."<sup>5</sup> In view of the growth of arms sales under the Military Assistance Program the administration considered it suitable that foreign military sales be

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<sup>3/</sup> U. S. Congress, House of Representatives, Foreign Assistance Act of 1967, p. 188.

<sup>4/</sup> Ibid., p. 189.

<sup>5/</sup> Ibid., p. 189.



accorded a separate chapter of Part II of the Foreign Assistance Act, firmly establishing sales as a coequal function, with grant aid, of the Military Assistance Program.

The report which the Senate Foreign Relations Committee issued on August 9, 1967 not only virtually ignored the changes suggested by the executive branch but recommended that the Congress enact the following strong restraints on the Military Assistance Program:

1. That the authority of the Defense Department to finance commercial sales of military equipment be repealed and that the revolving fund used to finance credit sales to underdeveloped countries be abolished no later than December 31, 1967 (this amendment was suggested by Senator Church).

2. That all forms of assistance be denied to any country which diverted U.S. assistance to military expenditures, or where development aid permitted diversion of other resources to military expenditures, to an extent which interfered with economic development or increased the danger of a regional arms race (this amendment was suggested by Senator Symington).

3. That the \$85 million ceiling on the annual value of military assistance and sales to Latin America be reduced to \$50 million.

4. That the \$25 million ceiling on the annual value of grant military assistance to Africa include sales and training as well.

5. That military assistance to the Central American Republics in excess of \$1.5 million each fiscal year be used only to promote the



integration of military forces in that region.

6. That the President submit reports to the Committee on Foreign Relations and the Speaker of the House of Representatives on any agreements entered into with a foreign country concerning disposition to a third country of arms which the country acquired through the Military Assistance Program.

7. That the Secretary of State make semiannual reports on all exports of significant weapons or military materials, whether under government auspices or through private trade channels.<sup>6</sup>

The committee further recommended that the Military Assistance Program be authorized to expend only \$475.1 million in lieu of the \$596 million which had been requested.<sup>7</sup>

In making these highly restrictive recommendations the committee acknowledged in its report that,

In view of the significance of several proposed amendments concerning the military assistance program, no action was taken on that section of the bill until after the committee heard testimony in executive session from Secretary of Defense Robert S. McNamara on July 26 [1967]. The committee had hoped that Secretary McNamara would be willing to testify in open session on the military assistance program

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<sup>6/</sup> U.S. Congress, Senate, Foreign Assistance Act of 1967, Report of the Committee on Foreign Relations, 90th Congress, 1st session, Report Number 499 (Washington: U.S. Government Printing Office, 1967), p. 3.

<sup>7/</sup> The authorization of this lesser sum would acknowledge the transfer of military assistance for Laos and Thailand to the defense budget but would retain NATO infrastructure and International Military Headquarters within the military assistance budget.





but he did not wish to do so. The committee completed action on the bill on July 27 . . . /Italics supplied./<sup>8</sup>

Recommendation of the Church and Symington amendments alone must have required at least some deliberation; certainly they were not devised and accepted by the committee in the one day following the appearance of the Secretary of Defense before action on the bill was completed. In fact, the report went on to explain:

The Subcommittee on Disarmament, under the chairmanship of the senior Senator from Tennessee, Mr. Gore, and the Subcommittee on Near Eastern and South Asian Affairs, under the chairmanship of the senior Senator from Missouri, Mr. Symington, have studied at length many questions concerning the U.S. arms sales program. The information developed during hearings by these two subcommittees was a major factor in the full committee's decision -- by a vote of 12 to 6 -- to abolish the revolving fund.<sup>9</sup>

The Foreign Relations Committee had, apparently, made up its mind in regard to at least this recommendation months before it received the testimony of the Secretary of Defense (the hearings before the Gore and Symington subcommittees had, for the most part, taken place in February, March and April). This is a tribute to the work of those subcommittees and, of course, to Dr. William Bader, whose study mapped the route for the subcommittees to follow. Indeed,

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<sup>8/</sup> U.S. Congress, Senate, Foreign Assistance Act of 1967, Report . . . , p. 4.

<sup>9/</sup> Ibid., p. 9.





portions of the committee report seem to match Dr. Bader's study in tone and text. For example,

The purpose of the amendment abolishing the revolving fund is to get the Department of Defense out of the business of financing sales of sophisticated military hardware, on liberal credit terms, to countries which, in the committee's judgement, do not have defense needs which justify American subsidization or involvement. Current policies have resulted in U.S. furnished arms appearing in the hands of both sides in all too many regional disputes around the globe, sapping scarce resources which should be used for economic development, and creating an "arms merchant" image for this country which contrasts with our basic objective of promoting world peace. The committee's actions will help force the executive branch to practice what it preaches about preventing arms races and discouraging wasteful military expenditures by poor nations.<sup>10</sup>

Or, the following in reference to the Symington amendment,

The objectives of the foreign assistance program are not advanced if U.S. economic aid only enables the recipient country to finance a military establishment beyond its financial capacity and its legitimate needs. The end result is the same if a country diverts U.S. economic aid to military uses or if aid enables it to divert its own resources to military purposes. Economic growth suffers regardless of the device used. And the American taxpayer has nothing to show for his investment in helping his fellow man but a mass of nonproductive weapons of war. . . . Effective enforcement of this new requirement should provide additional leverage for the United States in situations where arms expenditures are a strong inhibiting factor on economic growth, or a stimulant of regional arms races. And, hopefully, it will restrain some of our own officials. */Italics* supplied.<sup>11</sup>

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<sup>10/</sup> U.S. Congress, Senate, Foreign Assistance Act of 1967, Report . . . , p. 12.

<sup>11/</sup> Ibid. , p. 13.



In regard to the reduction in budget authorization, the report stated that,

Members of this committee have not been presented with any persuasive evidence that the national interest will be served, in any way, by exempting foreign aid from bearing part of the burden of paying for the Vietnam war. With the cost of the war mounting each day, from an annual rate of some \$25 billion-plus; with the Federal Government facing its largest deficit since World War II; with the fabric of our society in danger of being torn asunder because of inattention to domestic problems; and with the threat to the dollar continuing without letup, it is hardly reasonable to expect the American people to be very enthusiastic over a proposal to increase foreign aid . . . . In the committee's judgment the executive branch did not make a persuasive case for continuing military assistance at the same level as last year. It has, therefore, cut the proposed authorization by approximately one-third.<sup>12</sup>

The Senate Foreign Relations Committee had thus made it clear that it had taken seriously Dr. Bader's call for legislative oversight of the Military Assistance Program and, more over, that it was opting for the passage of legislative control which would strenuously restrain the program.

Within two days (on August 11, 1967), the House Foreign Affairs Committee published its report on the draft Foreign Assistance Act. In sharp contrast with the Senate report, the House document recommended all of the suggested changes made by the executive branch (excepting that it wished to retain NATO infrastructure and International

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<sup>12/</sup> U. S. Congress, Senate, Foreign Assistance Act of 1967, Report . . . , p. 6, p. 14.



Military Headquarters funding within the military assistance budget). Even more, the House Foreign Affairs Committee recommended that the military assistance budget be set at \$650 million for fiscal year 1968 and at \$714 million for fiscal year 1969 (this was "total" obligational authority, new obligational authority would have been \$590 million for fiscal 1968) -- thus not only providing nearly the authorization that the administration had requested, but establishing the basis for bi-annual authorizations. The report went on to recommend that the existing ceiling on military assistance and sales to Latin America be raised from \$85 million to \$100 million. The "40 country restriction" on military assistance was expunged from the recommended bill and the report noted that military assistance was, in fact, being planned for 50 countries for fiscal 1968.

In support of its hearty endorsement of a strong and expanding Military Assistance Program the House report quoted from the testimony of General Earle G. Wheeler, Chairman of the Joint Chiefs of Staff, given during his appearance before the committee:

Equivalent dollars applied to U. S. force levels will not provide an equivalent free world posture . . . . The fiscal year 1968 Military Assistance Program reflects the best judgement of the country team, the unified commanders, the Joint Chiefs of Staff, and the Office of the Secretary of Defense, . . . It reflects the absolute minimum of assistance considered necessary for those countries that are of particular importance to our security, and to those military forces within those countries that bear a particular complementary





relation to our own forces.<sup>13</sup>

In its own terms, the House Foreign Affairs Committee considered itself justified in recommending an even more generous program than had been requested because,

If we believe that the armed forces of certain nations make an important contribution to our national security and that it is in our interest to help other countries to defend themselves against Communist-instigated subversion, we should continue to provide military assistance. . . .

If the ability of the forces of other nations to perform a predetermined mission, either in implementing a common defense strategy or merely in dealing with internal subversion, is of concern to the United States, we have an interest in the quality and effectiveness of the equipment of such forces and in their being trained to carry out their missions.<sup>14</sup>

It would be difficult to imagine more different versions of the same piece of proposed legislation. The Senate Foreign Relations Committee had translated its members' several dissatisfactions with the Military Assistance Program into a scheme of recommended restraint. The House Foreign Affairs Committee, seemingly oblivious to the issues which were disturbing its Senate counterpart, had recommended the repeal of some of the few existing checks on the program and the enactment of measures which could only encourage the growth of those facets of military assistance which most dissatisfied the

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<sup>13/</sup> U. S. Congress, House of Representatives, Foreign Assistance Act of 1967, Report of the Committee on Foreign Affairs, 90th Congress, 1st session, Report No. 551 (Washington: U. S. Government Printing Office, 1967), pp. 47-48.

<sup>14/</sup> Ibid., pp. 49-50.



Senators. Any compromise which would produce mutually acceptable legislation was certain to be difficult to achieve.

The administration must have immediately realized that unless the Senate as a whole could be prevailed upon to reject the report of the Foreign Relations Committee in favor of a bill more in common with the recommendations of the House the Military Assistance Program -- and particularly its arms sales component -- would be in serious jeopardy. Two hasty efforts to persuade the Senate towards a more benign consideration of the program were made just before the dissimilar bills were submitted to floor votes.

On August 14, 1967, Senator Richard B. Russell (D - Ga.), chairman of the Senate Armed Services Committee and possibly the most influential member of the Senate (given his 34 years of membership and the enormous jurisdiction of his committee), was handed a letter by General Wheeler which represented the views of the General and of the other members of the Joint Chiefs of Staff. This letter told of the "grave concern" of the heads of the Armed Services in regard to the Senate Foreign Relations Committee report. The restraints which that report recommended imposing on the Military Assistance Program

... could only weaken the free world's collective defensive position. A weakening of that position might be misunderstood by the leaders of the Soviet Union and the Peoples' Republic of China as an unwillingness by the United States to stand firm.

This could invite new probes, increased support



of subversion and possibly even open aggression.<sup>15</sup>

This letter was read on the Senate floor by Senator Henry M. Jackson (D - Wash.) (also a member of the Senate Armed Services Committee), who then proposed an amendment to the Foreign Assistance Act of 1967 which would have eliminated the restraints recommended by the Foreign Relations Committee. The Jackson amendment, co-sponsored by Senator John G. Tower (R - Tex.), was reported by The New York Times to have gained immediate bipartisan support from many senior Senators -- among them: Everett McK. Dirksen (R - Ill.), the Minority Leader; Bourke B. Hickenlooper (R - Iowa), the senior minority member of the Foreign Relations Committee; Jacob K. Javits (R - N. Y.), a member of the Senate Appropriations Committee; and John J. Sparkman (D - Ala.), chairman of the Senate Banking and Currency Committee and second only to Senator Fulbright as a senior member of the Foreign Relations Committee.<sup>16</sup> It was apparent from this list of Senators who were anxious to repudiate the recommendations of the Foreign Relations Committee that the consent for those recommendations had been far less than unanimous.

The second effort to forestall the imposition of restraint on the Military Assistance Program occurred on the following day,

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<sup>15/</sup> General Earle G. Wheeler, USA, letter to Senator Richard B. Russell, quoted in The New York Times, August 15, 1967.

<sup>16/</sup> The New York Times, August 15, 1967.





August 15, 1967. With debate on the Jackson amendment in progress, 22 Senators were invited to a meeting in the office of Senator Mike Mansfield (D - Mont.), the Senate Majority Leader. Present at this meeting were the Deputy Secretary of Defense Paul A. Nitze, the Under Secretary of State, Nicholas deB. Katzenbach, and the Administrator of the Agency for International Development. Felix Belair, Jr., Washington correspondent for The New York Times, reported that the purpose of the meeting "was to win support for the bipartisan effort to retain the President's present authority [to conduct the Military Assistance Program] and for restoration of funds cut from the [Foreign Assistance] bill by the Foreign Relations Committee.

If the first administration effort had seemed successful (with General Wheeler's letter leading to the Jackson amendment), this second effort had an abrupt and surprising failure. Having seen the draft Foreign Assistance Act only in the form in which the Foreign Relations Committee had reported it, the Senators were not really aware of the extent to which the administration had recommended enhancing the versatility of the Military Assistance Program. In particular, they were apparently not aware of the executive proposal to allow the Defense Department to buy promissory notes issued by foreign countries to arms manufacturers in the United States. This new authority was included in the Jackson amendment and its sudden revelation in Senator Mansfield's office completely upset the administration's campaign to retrieve the security of the Military Assistance





Program. Mr. Belair observed that,

It was at the meeting, just off the Senate floor, however, that some Senators, including Mr. Mansfield, became aware of the new authority for the Pentagon to purchase "supplier's paper."

"Now they have gone too far," one influential Democratic Senator remarked as he hurried from the meeting to vote on Mr. Jackson's amendment.<sup>17</sup>

Within a few minutes, according to Mr. Belair, six Democratic Senators and one Republican Senator had deserted the administration's position. On the floor of the Senate, the Jackson amendment was being described by Senator McCarthy as "the most arrogant proposition we have had in some time," and by Senator Symington as "a plan that would continue the arms race without the consent of Congress. It was not drafted by the military, but by civilians who want to promote the sale of arms all over the world... [and was] just another development in the arms race that can only be an additional danger to future world peace."<sup>18</sup> Finally, a vote was taken and the Jackson amendment was defeated 46 to 45. The movement to restrain the Military Assistance Program, dignified by the prestige of the Foreign Relations Committee and reenforced with last minute allies, had successfully passed its first encounter with the opposition of the executive branch.

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<sup>17/</sup> The New York Times, August 16, 1967.

<sup>18/</sup> Quoted in Aviation Week and Space Technology, August 21, 1967, p. 21.



Only two days later, on August 17, the Senate approved the Foreign Assistance Bill, as it had been recommended by the Foreign Relations Committee, by a vote of 60 to 26.

The House of Representatives, unmoved by the victory of the Senate's version of the bill, passed its own version on August 24, 1967.<sup>19</sup> In accordance with routine procedure, a conference committee was immediately appointed to undertake the reconciliation of the two measures. Headed jointly by Senator Fulbright and Congressman Morgan this ad hoc committee slowly began to negotiate toward some compromise legislation that could accomodate the widely separate viewpoints of the Foreign Relations and the Foreign Affairs Committees. August passed into September, and October came and went without agreement. A State-Defense Joint Position Paper which was prepared for the conference committee argued that final passage of the Foreign Assistance Bill in the Senate version "would necessitate a cut of [/military assistance funds to the] forward defense countries (Korea, Greece, Turkey, Iran, and the Republic of China) by about 40 percent in order to leave necessary funds for Latin America, Africa, Indonesia, and the Philippines."<sup>20</sup> There is no evidence that this paper had any impact on the deliberations of the committee in regard to military

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<sup>19/</sup> Although the House vote was close (202 to 194), there was little evidence of sharp division on the same issues which marked the Senate proceedings.

<sup>20/</sup> Portions of this paper were quoted in The New York Times, October 2, 1967.



assistance.<sup>21</sup>

Finally, on October 31, The New York Times reported that the work of the conference committee was nearly complete and that the "only remaining issue between the conferrees is the Defense Department's \$400 million revolving fund for guarantying credit extended by the Export-Import Bank to undeveloped countries for purchase of U.S. arms and other military equipment."<sup>22</sup> Given the different points of departure of the conferrees, it was evident that much had been accomplished in nine weeks, however, according to the report, the committee had reached an impasse on the matter of the revolving fund.

The Senate version of the authorization calls for termination of the fund on December 31 [1967]. The House passed measure has no corresponding provision. But House negotiators proposed a compromise settlement that would gradually end the revolving fund and arms credit sales to poor countries by June 30, 1969.

Mr. Fulbright said that this proposal was unacceptable to the Senate conferrees. He said that he had made a counterproposal calling for an end of the sales by next June 30 [1968]. "The House conferrees have rejected our offer," he said, "and thats where the matter rests. The prospects don't look good."<sup>23</sup>

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<sup>21/</sup> Apparently this paper had little impact on any feature of the foreign assistance legislation under consideration. It also addressed a House passed measure which would have banned assistance to countries which permitted shipping of their registry to trade with North Vietnam. This measure was included in the final compromise bill.

<sup>22/</sup> The New York Times, October 31, 1967.

<sup>23/</sup> Ibid.





One of the prospects, of course, was that the Congress might reach adjournment without having passed authorizing legislation for either economic or military assistance. Considering the existing commitments and the large bureaucratic structures associated with both forms of assistance, the lack of such legislation would cause a fiscal calamity. The pressure of time seemed to work to the advantage of the proponents of restraining the Military Assistance Program. Sensing this, Senator Fulbright announced that "he was prepared to let the legislative authority for the \$2.7 billion foreign aid program lapse rather than permit a continuation beyond next June 30 of arms credit sales to poor countries."<sup>24</sup> This served notice on Congressman Morgan and his House conferees that Senator Fulbright and his colleagues would be satisfied to endure a deadlock in the negotiations and the consequences which would follow. The House must either accept restraint of military assistance or forfeit the entire foreign aid program. As phrased by an editorial in The New York Times,

This extraordinary deadlock is the result of a profound cleavage over a basic principle. Mr. Fulbright and his supporters on the issue attack the Pentagon fund as a device that has succeeded both in eluding Congressional control and in ballooning arms sales to underdeveloped regions to dangerous heights. The House conferees who have rallied behind the Administration in the controversy defend the fund as a mechanism that gives the U.S. the

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<sup>24/</sup> The New York Times, October 31, 1967.



flexibility it needs to make sales in the interest of collective security. . . . The flexibility given the Administration by the revolving fund has been abused. It has made it too easy for the Pentagon's salesmen to arrange arms deals that could not always be justified on the basis of the national interest.

The important principle is that the Pentagon must go to Congress and not to the Export-Import Bank for arms credits deemed vital to collective security.  
*[Italics supplied.]* An obvious compromise would be to get rid of the Pentagon fund and the shadowy procedure it engenders, and to have Congress appropriate money for such credit as part of the regular foreign aid program. Whatever sales were then made would have to be justified in the open.<sup>25</sup>

The deadlock would not be broken, however, on the initiative of Senator Fulbright or Congressman Morgan (or on the advice of the press). Rather, the decisive move which ultimately brought about resolution of the revolving fund issue came out of House action on the Foreign Assistance Appropriations Bill.

#### Congressman Conte and the Appropriations Bill

During the time that the conference committee had been attempting to negotiate away the differences in the foreign assistance authorization bills, the Foreign Operations Subcommittee of the House Committee on Appropriations had been drafting its report on the Foreign Assistance and Related Agencies Appropriations Bill for fiscal 1968. The House managers of this bill had realized that the deadlocked

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<sup>25/</sup> The New York Times, November 1, 1967.



authorization bill might be long delayed and had laid plans to bypass its passage altogether by bringing the appropriations bill before the House as soon as it was reported by the cognizant committee. In order to do this it was necessary to ask the House Rules Committee for a special rule "barring points of order against taking up the appropriations bill on the House floor before a vote was taken on the authorization legislation."<sup>26</sup> According to Washington newsman Belair, "this maneuver was calculated to put pressure on the conference committee to reach an early agreement on the authorization bill and to remove one of the obstacles in the way of an early congressional adjournment."<sup>27</sup>

Congressman Silvio O. Conte, who had shown himself during the hearings to be of like mind with those who would restrain the Military Assistance Program, felt that the overall situation (the authorization deadlock, the pressure of time, and the growing congressional interest in curtailing the spread of arms) afforded an opportunity for the introduction of restraining measures which he considered appropriate. He proposed that the following two amendments to the appropriations bill be included in his subcommittee's report:

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<sup>26/</sup> Plans to request this special rule were reported in The New York Times, October 31, 1967.

<sup>27/</sup> Ibid.





1. That none of the funds contained in this paragraph and none of the funds contained in the military assistance credit sales revolving fund shall be used to finance directly or indirectly the purchase or acquisition of sophisticated weapons systems, such as missile systems and jet aircraft for military purposes by or for any underdeveloped country (as defined on page 142 of part 2 of the printed hearings of the House Committee on Appropriations on the fiscal year 1968 Foreign Assistance Appropriations) other than Greece, Turkey, Iran, Israel, the Republic of China, the Philippines, and Korea: Provided further, That the military assistance program for any country shall not be increased beyond the amount justified to the Congress, unless the President determines that an increase in such program is essential to the national interest of the United States and reports each such determination to the House of Representatives and the Senate within thirty days after each such determination.

2. The President is directed to withhold economic assistance in an amount equivalent to the amount spent by any underdeveloped country (as defined on page 142 of part 2 of the printed hearings of the House Committee on Appropriations on the fiscal year 1968 Foreign Assistance Appropriations) other than Greece, Turkey, Iran, Israel, the Republic of China, the Philippines and Korea for the purchase of sophisticated weapons systems such as missile systems and jet aircraft for military purposes from any country.<sup>28</sup>

Congressman Conte's amendments (which were co-sponsored by Congressman Clarence D. Long -- and, hence, known as the "Conte-Long amendments") drew an immediate response from the executive branch. Mr. Belair reported that,

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<sup>28/</sup> U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriation Bill, 1968, Report of the Committee on Appropriations, 90th Congress, 1st session, Report No. 891 (Washington: U.S. Government Printing Office, 1967), p. 25.





The White House has served notice on George H. Mahon (D - Tex.), who is chairman of the Appropriations Committee, that both of Mr. Conte's amendments would tie the President's hands in carrying out U.S. foreign policy and should be rejected. Thus a routine subcommittee session called to consider "perfecting language" for the Conte proposals was transformed into a heated session attended by Mr. Mahon as an ex-officio member of the subcommittee. But in the end, Mr. Conte, with support from several Democratic members persuaded a majority of the group that the money [appropriations] bill would have little chance of acceptance on the House floor without his amendments.<sup>29</sup>

According to Mr. Belair's impression,

It was in an effort to brighten the otherwise dismal prospect confronting the aid legislation that Mr. Conte proposed to modify the money bill with his two amendments. . . . The proposals . . . were also designed to placate Senate opposition to consideration of a foreign aid money bill without prior approval of the authorizing legislation.<sup>30</sup>

Whatever Congressman Conte's reasons, his efforts in favor of restraining the Military Assistance Program had met with success, at least thus far, and his amendments were included in the report published by the Appropriations Committee. In an appendix to that report Mr. Conte provided a comprehensive statement of his views on foreign assistance in general and military assistance in particular. He pointed out the "extraordinary circumstances" which faced the United States:

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29/ The New York Times, November 1, 1967.

30/ Ibid.



the war in Vietnam with its high cost, the "staggering budget deficit" and potential financial crisis, and the "ever increasing" domestic problems. In view of these circumstances, Mr. Conte felt himself compelled to support a reduction in appropriations for military assistance. Moreover, he felt compelled to take some initiative in restricting the sale of "sophisticated weapons." Mr. Conte stated that,

It is obvious that one guiding principle which we must follow in the administration of our programs is to provide that particular assistance in that particular area which will most benefit the recipients.

There is another guiding principle which is equally important but not as obvious in application.

Our assistance must not be in conflict with the basic goals and precepts of this nation.

The interpretation and the interplay of these two principles can result in strain and conflict. It is important, therefore, to understand the intent of any actions in order to deal with the realities of the situation rather than with illusions.

Our bill this year has two new provisions dealing with the sale of sophisticated military weapons. One provision in effect prohibits the use of our military assistance program and the Defense Department's revolving credit sales fund to finance the purchase of sophisticated weapons for or by most underdeveloped countries.

The second provision states that a reduction will be made in our economic assistance to any of these underdeveloped countries equivalent to the amounts which they spend to purchase sophisticated weapons from any country.

What are the realities of these provisions? What are the illusions?

Last year I quoted the following statement from the report of the Foreign Affairs Committee:

It is important that less developed countries not be encouraged to divert their limited resources from programs of economic and social development to building military establishments larger than are necessary to maintain internal security and defend against border incursions.



Last year I quoted that statement favorably and with hope. This year I cannot.

Today, it is not sufficient "not to encourage." Positive steps are now required. We must neither assist nor support these highly dangerous self-defeating actions.

It is illusion to answer this by stating -- Who are we, the United States, to decide what are highly dangerous and self-defeating actions for others to take.

It is absolutely true that we do not have the right to decide that question for others. This is not what is being advocated. /Italics supplied./

What we do have the right to do, and what these two provisions do advocate, is for us to conduct our own foreign assistance programs in such a manner as to assure that we will not be a party to actions which we believe to be incorrect, dangerous and wasteful. This is not only our right; it is our responsibility.

I am deeply concerned with and disturbed by the development of an arms race in Latin America. As I stated earlier, I have held this concern since I first came to Congress. I am similarly concerned with an arms race developing in Africa. These are frightening consequences.

The control and limitation of arms in the world today ranks second to no issue.

And we are dealing with countries who simply cannot afford to and do not have any need to invest their precious limited resources in the sophisticated devices that man has invented to destroy himself.

The greatest threat to security in Latin America today comes from within, not from without. Any dangers there to national sovereignty are from internal unrest and dissatisfaction, not from external attack and aggression.

You do not meet dangers such as these with jet fighter aircraft or missile systems.

You do meet them with economic and social and health and educational programs.

You meet them by fighting to improve daily existence by fighting disease, poverty, illiteracy and starvation, not by preparing to fight an enemy that is not there and that does not exist.

What then will you accomplish by an arms race? You stand the good chance of creating that enemy that presently is not there.

For as all of the countries of Latin America find themselves more and more heavily armed, there is more and more a chance that one country is going to use this





armament against another. And then the attacked country is going to use its armament to retaliate. At that point you will have completed a "successful" arms race.

This is what I fear. Our efforts should be directed toward preventing anyone from reaching this "peril point"; in no event should we be of any assistance in bringing it about. I do not agree with those who say if we do not sell others will and they will reap financial benefits which we should just as well obtain. We must make a total effort to prevent this from happening. We can do no more than try, but we must try.<sup>31</sup>

Congressman Conte concluded his statement justifying his position with the following argument concerning the misuse of resources.

... we are concerned here with underdeveloped countries -- countries that have basic and essential problems that must be dealt with on an immediate basis.

These countries must deal with problems which our nation has been fortunate enough never to have faced. They must deal with them further more, with severely limited resources relative to the scope and the difficulties that the problems entail.

No country can afford to be wasteful and these countries least of all.

The purchase of sophisticated weapons of war by these countries can be classified in no other category than that of being wasteful. We should take no part in assisting or encouraging this unfortunate misuse of limited resources.

We are on the one hand trying to supplement limited resources in order to assist these countries in developing to their fullest capacity as quickly as possible. If, on the other hand, we turn around and sell them weapons that they cannot afford and do not need, we are defeating our own programs. /Italics supplied./

Similarly, if we provide assistance to an underdeveloped country which, in turn, uses its own resources to purchase sophisticated weapons, it is as if our economic assistance

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31/ U. S. Congress, House of Representatives. Foreign Assistance and Related Agencies ... Report No. 891, pp. 27-29.



was being diverted to the purchase of these sophisticated weapons, a result which cannot be justified. ...

By no stretch of anyone's imagination can the purchase of sophisticated weapons by underdeveloped countries be considered an efficient mobilization of resources. It is just the opposite. By diverting the country's own resources from being used in an effective manner, it completely dilutes, the effectiveness of our assistance.

It makes our assistance -- aid provided as a substitute for meaningful self-help -- aid wasted.<sup>32</sup>

The success which Congressman Conte enjoyed in persuading his fellow subcommittee members to endorse his amendments did not go unnoticed by the congressmen who were still trying to resolve the deadlock on the authorization bill. Mr. Belair noted that,

In the aftermath of the [Foreign Operations] subcommittee action, Thomas E. Morgan (D - Pa.), chairman of the House Foreign Affairs Committee, ordered a caucus of his conferees on the authorization measure and, thereafter, requested another meeting with negotiators in the Senate.<sup>33</sup>

It must have occurred to Congressman Morgan that, should the final appropriations legislation contain the Conte-Long amendments, the major objection which the Senate Foreign Relations Committee held against the Defense Department's revolving fund (that the fund was used to finance arms sales to underdeveloped countries) could no longer be strictly relevant. It would really make little difference then

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<sup>32</sup>/ U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies ... Report No. 891, p. 30.

<sup>33</sup>/ The New York Times, November 1, 1967.



whether the fund was abolished in 1968 or 1969. There was still no question of weaning Senator Fulbright away from his position; he had only just reiterated his argument on the floor of the Senate, proclaiming that,

... the public interest would be better served by no foreign aid bill than by the bill which passed the House, /a bill which/ would allow -- indeed encourage -- a continuation of the policy of arming poor and underdeveloped countries.<sup>34</sup>

The report which contained the Conte-Long amendments (and Mr. Conte's statement) was published on November 6, 1967. On November 7, the conference committee advised both houses of the Congress that the deadlock had been broken. The House conferees had accepted the compromise offered by Senator Fulbright -- the revolving fund would be abolished on June 30, 1968.

#### The Form of Restraint in the Authorization Act

Having finally arrived at a compromise, the joint leaders of the conference committee presented their report -- and the final form of the authorization act -- to their respective committees. In this form it was apparent that most of the provisions restraining the Military Assistance Program had been retained -- the Senate conferees seemed to have compromised very little, while those from the House

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<sup>34/</sup> The New York Times, November 1, 1967.





abandoned virtually all of their recommendations for expanding the program. The resultant "compromise" report noted the following items:

1. The authority of the Defense Department to guarantee the financing of arms sales would be terminated on June 30, 1968; likewise, the revolving fund would be abolished on that date.

2. The President was directed to take into account, when furnishing economic assistance, "the percentage of the recipient or purchasing country's budget which is devoted to military purposes," and, "the degree to which the recipient or purchasing country is using its foreign exchange resources to acquire military equipment." When such a country was either diverting U. S. assistance to military expenditures or "diverting its own resources to unnecessary military expenditures to a degree which materially interferes with its development" the President was directed to terminate economic assistance "until he is assured that such diversion will no longer take place."<sup>35</sup> (This is the form of the Symington amendment agreed upon by the conference committee.)

3. The ceiling on military assistance and sales to Latin America was established at \$75 million (an even split between the \$50 million recommended by the Senate and the \$100 million recommended by the

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<sup>35/</sup> The Foreign Assistance Act of 1961, as Amended, Public Law 87-195, 75 Stat. 424, Section 620 (s), added by Section 301 (f) (4) of the Foreign Assistance Act of 1967.





House).

4. The ceiling on military assistance (including all sales, grants, training and services) to Africa was established at \$40 million (raised from the recommended \$25 million in recognition of the concern of the House conferees "that adequate authority be available to implement the military sales and grant programs for those African countries where military installations used by the United States are located as well as for those countries threatened by the Soviet arms buildup in that area!"<sup>36</sup>).

5. The limitation of \$1.5 million on military assistance to the Central American Republics recommended by the Senate was "receded" by the Senate conferees.

6. The President was directed to "promptly submit a report to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate on the implementation of each agreement consented to by the President with any recipient country to transfer title to, or possession of, any defense article so furnished to it by the U.S. to any person, organization, or government."<sup>37</sup>

7. The Secretary of State was directed "to transmit to the Speaker of the House of Representatives and the Committee on Foreign

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36/ U.S. Congress, House of Representatives, Conference Report on Foreign Assistance Act of 1967, 90th Congress, 1st session, Report No. 892 (November 7, 1967) (Washington: U.S. Government Printing Office, 1967), p. 32.

37/ The Foreign Assistance Act of 1961, Section 521 (c) (2), added by Section 201 (o) (7) of the Foreign Assistance Act of 1967.



Relations of the Senate semiannual reports of all exports during the preceding six months of significant defense articles on the United States Munitions List to any foreign government, international organization, or other foreign recipient or purchaser."<sup>38</sup>

8. The amount of funds agreed to be authorized for military assistance expenditure was \$510 million -- of which \$24.1 million would be spent for International Military Headquarters (to be retained within the military assistance budget). Thus, the amount which would be available for grant military assistance in fiscal year would be \$485.9 million -- pending acceptance of a corresponding amount in the appropriations bill.

9. The "40 country restriction" on military assistance, which was recommended by the House to be dropped, was retained, at the insistence of the Senate conferees.

In his statement incident to presenting the conference report to the Senate, Senator Fulbright took justifiable pride in the results which he and the other Senate conferees (Senators Sparkman, Mansfield, Gore, Lausche, Church, Hickenlooper, Aiken, Carlson, and Williams) had obtained.

I believe that this conference report approached more closely the action of the Senate than at any other time since I have handled the foreign aid bill which he had done as chairman of the Foreign

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<sup>38/</sup> The Foreign Assistance Act of 1961, Section 634 (g), added by Section 302 (h) (2) of the Foreign Assistance Act of 1967.



Relations Committee since 1959. . . . I take a greater measure of satisfaction than is usually the case each year in presenting the conference report on foreign aid for the Senate's consideration. When the foreign aid bill passed the Senate I promised that I would" . . . let the bill languish in conference indefinitely if we cannot reach a satisfactory agreement on the major proposals." This conference report, I believe, sustains the Senate position on all basis issues, and in particular, its position on arms sales. . . .

The conference agreed, with slight modification, to the amendment of the Senior Senator from Missouri [Symington] which prohibits aid to countries which divert our aid, or their own resources, to military purposes to the extent that economic development is impaired. This is a very significant amendment which, if used effectively by executive branch officials, should act as a restraint on useless military spending by aid recipients. It is also intended to restrain our bureaucracy who, all too often, whet the arms appetites of foreign generals and admirals. . . . In too many countries our economic aid goes in one pocket and comes out the other in the form of sophisticated -- but useless -- weapons, often bought from the United States. [Italics supplied.] . . .

Finally, I come to the point which was most troublesome in conference -- the amendment of the Senior Senator from Idaho [Church], . . . which repealed the Department of Defense's authority to finance long-term credit sales to underdeveloped countries through a revolving fund. . . . I believe that the repeal of the guaranty program and the abolition of the revolving fund are important steps toward bringing about a foreign policy designed to meet our long-range interests of building a more stable and peaceful world. The true interests of America are not served by a program which puts sophisticated weapons in the hands of poor people around the world while giving lip service to stopping arms races. The repeal of this arms sales authority will do much to make the officials in the executive branch practice what they preach. [Italics supplied.] 39





Senator Fulbright could not have made it more clear that his purpose, and the purpose of his colleagues, in restraining certain features of the Military Assistance Program (and the bureaucrats who conducted the program) was to exercise influence on the foreign policy of the United States. Certainly enough restraint would be imposed on the Military Assistance Program to reflect the foreign policy wishes of the Congress wherever that program was applied.

The leading conferee for the House of Representatives, Congressman Morgan, chairman of the Foreign Affairs Committee, was understandably less excited about presenting the conference report to his side of the Congress.

Mr. Speaker, the conference on the Foreign Assistance Act of 1967 has been long drawn out and frustrating. The managers on the part of the House found themselves in disagreement with the representatives of the Senate on fundamental issues. . . . Under the circumstances, it was very difficult to establish a basis for reaching agreement on important provisions of the legislation. . . .

The most difficult and time-consuming issue which the conference had to deal with involved sales of military equipment on credit terms and the authority for the Defense Department to guarantee such credits. The Senate conferees took the position that the guarantee program existed primarily to encourage the governments of the underdeveloped countries to spend money for military equipment they could not afford. . . .

It has always seemed to us that we should never put ourselves in the position where we would say to a country, "We will give you equipment free but we won't let you pay for it," or where the Pentagon would find it easier or more attractive to make grants than to negotiate credit sales. . . .

The House managers found themselves unable to refute arguments made by the Senate in opposition to certain provisions of the House bill which had been



adopted during floor consideration of the bill. When we were asked about the implications or consequences of some of this language, we had to admit that these matters had not been explored in detail by the committee or by the House, and that we did not know all of the answers.<sup>40</sup>

Congressman Morgan had been handling the foreign aid bill for the same length of time as had Senator Fulbright (having also become chairman of his committee in 1959). It is somewhat surprising that he should have been so ill prepared to deal with either Senator Fulbright's arguments or his intransigence. The Foreign Affairs Committee had conducted 31 days of hearings on the Foreign Assistance Act of 1967; 1,372 pages of testimony had been taken from 92 witnesses (Secretary McNamara and General Wheeler had each appeared twice to testify and Vice Admiral Heinz, the Director of Military Assistance, had returned to the committee five times). In contrast, the Foreign Relations Committee had met for only three days, during which they heard 15 witnesses (none more than once) and accumulated only 322 pages of testimony. True, as the Foreign Relations Committee report had admitted, much of the information on which that committee based its decisions had come from the hearings conducted by the Gore and Symington subcommittees. These two subcommittees had met a total of 12 days and had received testimony pertinent to the Military Assistance Program from six witnesses (Assistance Secretary

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<sup>40/</sup> U.S. Congressional Record, 90th Congress, 1st session, Vol. 113, pt. 23, (November 8, 1967), pp. 31742-31743.



McNaughton appeared twice before the Gore subcommittee). Even including the work of the subcommittee, it is obvious that the Foreign Relations Committee members had given themselves only minimum exposure to the facts and arguments of the executive officials charged with the conduct of the Military Assistance Program. Yet, the Foreign Relations Committee report stated that the committee had "not been presented with any persuasive evidence," and that "the executive branch did not make a persuasive case." Noting the difference between the time devoted to examination of the Military Assistance Program by the two committees, one might well ask whether the Foreign Relations Committee had given the executive branch sufficient opportunity to provide evidence and to make a case that would have seemed persuasive to the committee.

One has only to scan the testimony taken by the two committees (and the two subcommittees) to see that, where the Senators had approached each meeting in a mood that challenged persuasion, the congressman had not. Indeed, the mood of the congressmen seems to have been one of friendly curiosity. Where the Gore and Symington subcommittees -- and the Foreign Relations Committee itself -- had sharply questioned the administration's witnesses (one might say, according to a "script" provided by Dr. Bader), the Foreign Affairs Committee had contented itself with a hospitable dialogue. The Foreign Relations Committee had used its time to gather evidence which supported its point of view and which tended to corroborate the conclusions





which Dr. Bader had set out in his staff study. The Foreign Relations Committee had recognized a certain vulnerability of the executive branch (which was conveniently pointed out by Dr. Bader) and had shrewdly planned to capitalize on a thrust against that weak point. The Foreign Affairs Committee, on the other hand, apparently entertained no other motive in conducting its hearings than the routine performance of its duty of legislative review.

All in all, it would seem fair to say, based upon the hearings conducted by the committees, the reports which they authored, and the outcome of the deliberations of the conference committee, that while the Foreign Affairs Committee had limited its work to the barest legislative oversight, the Foreign Relations Committee had passed beyond oversight and moved towards legislative control. When they met in conference, the House conferees who had, until then, ignored the issues inherent in the Military Assistance Program were simply no match for their counterparts from the Senate.

In what amounted to an apology to his colleagues in the House for emerging from the conference with a foreign assistance bill so different from the one which they had passed, Congressman Morgan warned that there would be little likelihood of overcoming Senator Fulbright's opposition by returning the compromise bill to the conference committee.

I just want to say that if this bill is sent back to conference, any bill that we might bring





back is not likely to satisfy very many of the critics.<sup>41</sup>

Having observed the tedious progress of the conference committee for two months, the members of the House apparently concurred with Congressman Morgan's pessimistic appraisal of any further action. The House agreed to accept the compromise bill.

Almost simultaneously, but in a rather different mood, the Senate also agreed to accept the compromise bill. Within a week, the Foreign Assistance Act of 1967 had been signed into law by the President (on November 14, 1967).

#### PASSAGE OF THE FOREIGN ASSISTANCE AND RELATED AGENCIES APPROPRIATIONS ACT OF 1968

##### The House Appropriations Committee Report

The report on the foreign assistance appropriations bill which the House Appropriations Committee submitted on November 6, 1967, had contained more than the Conte-Long amendments which have already been noted. The proper function of the appropriations bill was, after all, the designation of funds in discrete amounts which could be drawn from the United States Treasury and expended in the ways approved by the companion authorizing legislation. The Foreign Operations Subcommittee of the Appropriations Committee had responded to the

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<sup>41</sup>/ U. S. Congressional Record, 90th Congress, 1st session, Vol. II3, pt. 23, (November 8, 1967), p. 31743.



administration's request for \$596 million for the Military Assistance Program by recommending that a maximum of \$365 million be appropriated. Thus, Congressman Passman demonstrated the seriousness of his concern about federal spending by cutting the budget request which General Wheeler had described as the "absolute minimum" by slightly over 40 percent. Included in the reduction was disapproval of the request for \$60 million for the credit sales revolving fund. Whereas most of the restrictions in the authorizing legislation (and the Conte-Long amendments in the appropriations bill) were aimed at the arms sales component of the Military Assistance Program, this drastic budget reduction recommended for the appropriations bill was targeted on the very core of the program -- grant military assistance. The \$510 million which the authorization measure had provided was in itself a considerable cut below the "absolute minimum." A reduction of 40 percent might gut the program and render ineffectual many of the allied forces which were supposed to play a complementary role with United States forces within a framework of collective security. The continued viability of the Military Assistance Program had suddenly fallen into jeopardy.

The appropriations bill, however, was still only a bill and not yet a law. Before the House of Representatives could vote on the version recommended by the Appropriations Committee it had first to decide whether it was proper for that committee to have inserted the Conte-Long amendments (and certain other amendments) into the bill.



These amendments, it seemed, looked like "legislation," as opposed to pure "appropriation" and, therefore might be considered out of place. Legislation was the prerogative of the "legislating committees" of the House -- such as the Committee on Foreign Affairs -- and, traditionally, the Appropriations Committee was never permitted to address any part of legislation except the amounts of funding keyed into authorizing legislation. These amounts the committee could increase or decrease and whatever language it employed was normally limited to explanations for the changes which it made. The Conte-Long amendments obviously seemed to go beyond the traditional contribution of the Appropriations Committee; therefore, it was necessary to arrange for House approval of a special rule which would waive "points of order" that might be raised against consideration of an appropriations bill containing such amendments. While passage of the appropriations bill was thus delayed in the House, the executive branch used the time to plead its case for a strong Military Assistance Program before the last congressional forum to hold hearings on the subject.

#### Hearings Before the Senate Committee on Appropriations

Judging from the experience of congressional action vis-a-vis the foreign assistance legislation up to this point in 1967, it was apparent that the administration would require a strong champion in the Congress simply to preserve the Military assistance Program as





it had been -- the hope for any sort of enlargement of the program died when the authorization measure became law. Although the Senate Appropriations Committee would prove to be sympathetic with the arguments of the executive branch, it was historically a less than rewarding "court of last appeal," and not a likely group to provide the needed champion. An excellent study of the comparative behavior of the House and Senate Appropriations Committees during the period, 1947 to 1962, showed that,

What the Senate Committee usually did when the House voted a decrease [in an executive budget request] was to increase the appropriation above the House figure. This it did 62.7 per cent (96 cases) of the time. But, again, in 66 of those 96 cases, the Senate figure still put the agency at an appropriations level lower than the previous year. When the House Committee decides to keep an agency below its previous year's appropriation, the Senate usually -- in 123 of 153 cases (80.4 per cent) -- concurs.<sup>42</sup>

One reason why the Senate Appropriations Committee normally reflects the action of the House is because its members "act after the House has acted, they know what the House has done, and they sit as an appellate court to hear agency appeals for restoration."<sup>43</sup> Another reason is that the Senators, all of whom have several committee responsibilities, simply do not have the time to educate themselves

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<sup>42/</sup> Richard F. Fenno, Jr., The Power of the Purse; Appropriations Politics in Congress (Boston: Little, Brown and Company, 1966), p. 577.

<sup>43/</sup> Ibid., p. 574.



on the details of each budget proposal. They are, therefore, much less well prepared to pronounce on those details than their House counterparts whose only committee responsibility is the preparation of the appropriations bills. Some reliance is always placed on the previous decisions of the House when the Senate finally comes to the consideration of any budget proposal.<sup>44</sup>

The hearings which the Senate Appropriations Committee began on November 14, 1967, were somewhat premature in that House action on the foreign assistance appropriations bill had not yet been completed (the matter of approving the insertion of the Conte-Long amendments was still to be resolved before a vote could be taken). The time of adjournment was approaching, however, and the Senate's bill had to be recommended out of the committee.

It was not until the second day of hearings (the first having been devoted to testimony on the Peace Corps, the Ryukyu Islands, and assistance to refugees) that testimony was received relative to military assistance issues. On November 15, Mr. Harold Linder, the

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<sup>44/</sup> According to Professor Fenno, "Executive officials are virtually unanimous in describing Senate [Appropriations] Committee hearings as being less well attended, less detailed, less intensive, less focused, and shorter than hearings before the House [Appropriations] Committee. . . . they consider their relationship with the House Committee as the more consequential. House members are seen as devoting themselves single-mindedly to the appropriations tasks. And House members are seen as setting the basic framework of decision." The Power of the Purse; Appropriations Politics in Congress, pp. 567-568.



president of the Export - Import Bank appeared to justify his budget request for support of the Bank. Mr. Linder, it will be recalled, had given testimony before the Passman subcommittee of the House Appropriations Committee in March and before both the Senate and House Banking and Currency Committees in July. On all three occasions he had been interrogated about the Bank's participation in the financing of arms sales, and, in particular, about country - X loans. The House Appropriations Committee had reported a recommended cut of \$300 million in the Bank's budget (as a foreign assistance "related agency"); now Mr. Linder was appealing for a reinstatement of those funds.

The nominal chairman of the Senate Appropriations Committee was Senator Carl Hayden (D - Ariz.), however, it was Senator John O. Pastore (D - R.I.) who presided on this occasion. Senator Hayden considered it his duty to attend the hearings, but being 90 years old (and in his 40th year in the Senate) he was content to allow others to lead the progress of the meetings.

Senator Pastore was a little unsure about how to begin questioning the Export - Import Bank president.

SENATOR PASTORE. How much of the Bank's \$1.5 billion contribution to the U.S. balance of payments would be arms sales?

MR. LINDER. Very little because the arms sales that we made have been made on 5 to 7 year terms ...

SENATOR PASTORE. The reason why I raised the





question is because there had been this hassle over the arms sales. In the authorization act which is now tied up in the /House/ Rules Committee, does that have the Conte amendment?

THE CLERK. No; the Conte amendment is on the appropriation bill itself.

SENATOR PASTORE. On this one? /Italics supplied./

MR. MIDDLETON. /Vice President of the Bank/. The Conte amendment is in the appropriation bill.<sup>45</sup>

It would be difficult to find a better example of a lack of preparation on the part of a Senator for a committee meeting, and especially a meeting over which he would preside. The authorization act for foreign assistance was not "tied up in the /House/ Rules Committee" -- it had been signed into law the previous day by the President. The Conte-Long amendments were a major controversial issue in the bill which the Senate Appropriations Committee was meeting to review.

If Senator Pastore was unsure of the issues, Senator Allen J. Ellender (D - La.) was not. It was Senator Ellender who had appeared at the July 25 session of the Senate Banking and Currency Committee to urge that committee to deal severely with the Bank's increasing involvement in arms sales. At that time he had characterized that involvement as a "perversion." Now he was on hand to prejudice the

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<sup>45/</sup> U.S. Congress, Senate, Foreign Assistance and Related Agencies Appropriations for Fiscal Year 1968, Hearings Before the Committee on Appropriations, 90th Congress, 1st session (Washington: U.S. Government Printing Office, 1967), p. 254.





administration's case before the Appropriations Committee, of which he was a member.

SENATOR ELLENDER. My position, as you know, has been against loaning money guaranteed by a Federal agency. You say that in your contemplated loans for fiscal year 1968 you have \$180 million that you expect to handle should DOD present them to you.

MR. LINDER. No, sir, we will not handle them until the House and the Senate have finally made a determination. Now they have made certain determinations incident to the AID [foreign assistance] authorization bill. These are the provisions of the Church amendment, which will impose some limitations on us. When Congress has completed all relevant legislation, if we are permitted to make such loans, I think we will be prepared to do up to the amount of about \$180 million. But until they make themselves clear we are not going to do anything. . . . we are dead in the water at the moment. We are dead in the water because of the foreign aid legislation which we are discussing now and the fact that there is no continuing resolution. So we have no basis on which to do anything today until this legislation which you are discussing at the moment has been enacted. . . . [Italics supplied.]

SENATOR ELLENDER. I hope that you and your board looks into this very carefully and not further tarnish or blemish the good reputation of the Export-Import Bank in using its facilities to make loans for military hardware to underdeveloped countries. I think it is shameful for that ever to have occurred.<sup>46</sup>

It is interesting to note that, at least according to Mr. Linder, credit arms sales financed through the Export - Import Bank (which

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<sup>46/</sup> U.S. Congress, Senate, Foreign Assistance and Related Agencies Appropriations For Fiscal Year 1968, pp. 256-258.



included all country - X loans) had been brought to a halt by this date. Not quite 11 months after the publication of Dr. Bader's study a good deal of the Defense Department's enterprise, headed by Mr. Kuss, was "dead in the water" -- and congressional action in restraint of the Military Assistance Program was not yet completed.

Apparently recognizing that Mr. Linder could provide little further sport, the committee dismissed him and turned (the following day) its attention to the Secretary of Defense and the Chairman of the Joint Chiefs of Staff.

Secretary McNamara arrived before the committee very much upset about the budget reduction in the authorization act (which was now law) and even more distressed about the potential reduction in funds for the Military Assistance Program which the House seemed about to enact. Referring to the latter reduction, he told the committee,

Accommodation of a cut of this magnitude will involve difficult choices between equally undesirable alternatives. The program cannot be decreased further without diminishing the free world common defense posture we rely on as an extension of our own national defense and to which we are often committed by treaties.

The inevitable result of a sudden, sharp curtailment would be what I referred to three years ago when, in May 1964, I [said] ... that" "The alternatives are clear: If military assistance is cut, the United States must make up for the reductions with U. S. forces, or must retrench its foreign policy." /Italics supplied./

The issue is even more critical today. Our current deployment of U. S. forces to Vietnam makes the first alternative even less acceptable than before, and the second does not recommend itself at a time when a weakening in our support of free world common defense efforts elsewhere might embolden potential aggressors



and weaken the resolve of our allies. . . .

I hope, therefore, that this Committee will bear with me while I restate the basis for our proposals and that it will then recommend legislative action which will, to the extent now possible, ensure the minimum adequate ongoing contribution of military assistance to the security of the United States and the conduct of its foreign policy. Both are presently predicated on the existence of a collective security system which cannot yet operate effectively without the moral and material support provided by the United States through the Military Assistance Program.<sup>47</sup>

Secretary McNamara then demonstrated for the committee the arguments pertinent to the proposed allocation of military assistance for each of the "forward defense countries" -- Korea, the Republic of China, Turkey, Iran, and Greece. In each case he stressed the contribution which that country was making to the whole scheme of collective security which had long been the cornerstone of United States foreign policy. Capping those arguments, the Secretary of Defense said,

I believe the total reduction of \$225 million, provided for in the House bill, would signal to free world and Communist countries alike a substantial weakening in our commitment to collective security. Programs for the "hard core" forward defense and base rights countries would have to be cut back very sharply. The Soviets would not be slow in benefiting from the vacuum. To me, it appears absurd to jeopardize the security we planned to buy with a \$70 billion defense budget because of a failure to provide a few hundred million in military assistance. It would be equally foolish, as I see it,

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<sup>47/</sup> U.S. Congress, Senate, Foreign Assistance and Related Agencies Appropriations For Fiscal Year 1968, p. 328.





to emasculate the complementary foreign military sales program which, during the past six years, has become an increasingly important instrument of national policy enabling us to terminate our grant aid programs to many countries.<sup>48</sup>

The Secretary then provided the Senators with a list of those countries for which military assistance was planned. After having justified the amounts which he would have allocated to each country, he challenged the members of the committee,

SECRETARY McNAMARA. The problem is to scan that list and ask yourself where you would take out \$225 million /the amount which the House had recommended cutting/. It is just impossible to take it out without disastrously affecting our security. ... /Italics supplied./

SENATOR PASTORE. The problem ... if I may say something, is that the House committee recommended \$365 million. If the House, itself, sustains that, even if you go back with \$510 million /the amount given in the authorization act/ there is going to be a compromise.

SECRETARY McNAMARA. And then it will be disastrous. /Italics supplied./

SENATOR ELLENDER. Mr. McNamara, you have been using that same language for the past 5 or 6 years.

SECRETARY McNAMARA. No, sir; I don't believe so.

SENATOR ELLENDER. The record will show it.

SECRETARY McNAMARA. I wish you would point to it in the record, I don't believe I have.<sup>49</sup>

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<sup>48/</sup> U.S. Congress, Senate, Foreign Assistance and Related Agencies Appropriations For Fiscal Year 1968, p. 330.

<sup>49/</sup> Ibid., pp. 336-337.



Perhaps if Secretary McNamara had painted the reduction in funds for military assistance as dramatically as this during the earlier committee hearings in 1967 he might have done a better job of persuading members of those committees not to recommend such drastic cuts. (A survey of Secretary McNamara's testimony before this committee in the years 1961 to 1966 indicated that his language -- contrary to Senator Ellender's charge -- had always been less emotional.)

In the colloquy between the Secretary of Defense and the members of the Senate Appropriations Committee there were numerous evidences of sympathy for the Secretary's position; the following examples illustrate the feelings of certain members and also the attitude of the Secretary in regard to facets of the Military Assistance Program and the legislation which would restrain it.

SENATOR SMITH. [Margaret C. Smith (R - Me.)] Mr. Secretary, for some time now I have been a supporter of military assistance, as you know. I have specifically defended military assistance to the Latin American countries. . . . But the opposition to military assistance is growing in the Senate. . . . The basic reason for such opposition is that our military assistance supports military dictatorships. What is your answer to such arguments by distinguished leaders in the Senate who so oppose military assistance?

SECRETARY McNAMARA. The total amount of military assistance we propose to give to Latin America -- with 21 nations and a population of 240 million -- is \$45 million. Far from being the foundation for dictatorships or the catalyst that supports movement toward dictatorships, this \$45 million is, in my opinion, a restraining influence, an influence toward democracy. Perhaps even more importantly, because it is a more powerful influence in this other area, it is an influence toward restraint on military



expenditures. . . .

This very small military aid program has been used to hold down, not to expand, the military forces of Latin America. Beyond that, it has been used to exercise a restraint on the forces of autocracy and the forces of privilege in Latin America. . . .

SENATOR SMITH. I am sure you can understand the dilemma that I have found myself in when in the past I have supported and defended military assistance, and I continue to do so and want to do so. However, when such people as the majority leader Senator Mansfield and the chairman of the Foreign Relations Committee Senator Fulbright and other leading members of the administration's party are opposing it so strongly, I need some additional information from you so I can strengthen my position.

SECRETARY McNAMARA. We are grateful for your support.

SENATOR SMITH. If you can give me any help, I will be glad to have it. Mr. Secretary, will you give us a one, two, three statement on why we should strike the House language on the Conte-Long amendments?

SECRETARY McNAMARA. Certainly. (The statement follows:)

Amendment Prohibiting Use of Military Assistance or Credit Sales Revolving Funds for Financing Weapons Purchased by Underdeveloped Countries.

1. The apparent intent of the amendment is to prevent the U.S. military aid programs from contributing to arms races or the diversion of development resources to unnecessary military expenditures. Avoidance of such results is and has been Executive Branch policy -- one which the President has used persuasion and the influence of U.S. military and economic aid to further. No additional legislation is needed to state or enforce this policy.

2. The amendment would be harmful. The effects go far beyond its apparent intent. It sets up a rigid and arbitrary standard which simply ignores less developed countries' needs and political realities. . . .

The proposed amendment does not recognize the legitimate defense needs of less developed countries other than the seven countries specifically exempted. . . . In the rapidly changing international situation there will almost certainly be other areas of the world where aggressive





regimes create legitimate self-defense requirements among neighboring countries and where peace may depend upon the restoration of local balance of power. The proposed amendment, however, with its blanket prohibition against all "sophisticated" weapons fails to distinguish the legitimate from the excessive. The exception contained in the amendment only takes a partial "still" picture of a constantly changing world situation and arbitrarily disregards defense needs of additional countries in the present as well as of other countries for whom valid weapons needs might quickly arise in the future. ...

3. Finally, the proposed amendment is almost impossible to administer from a technical standpoint. There is no effective standard for definition of "sophisticated weapons systems." Many types of jet military aircraft which were considered sophisticated a few years ago are obsolete or obsolescent today. Other weapons systems which may be sophisticated today will be obsolete tomorrow. The less developed countries are at widely varying stages of development. A jet aircraft which might be a sophisticated weapon in the Congo might be basic equipment in a relatively advanced country such as Spain. Moreover, some missile systems and other advanced weapons are of use not only for defense but also for counter-insurgency.

The technical deficiencies are not simply a question of definitions. Rather they reflect the basic difficulty of any prohibition which seeks to apply a single arbitrary standard to widely and constantly varying situations.

#### /Amendment Reducing/ Economic Aid Because of Military Purchases.

The Executive Branch opposes the amendment because its inflexibility and excessive scope would be harmful in many situations. ... the recently passed Foreign Assistance Act of 1967 already contains a provision /the Symington amendment/ which effectively required such a policy. ...

The proposed amendment recognizes neither the legitimate defense needs of less developed countries, other than the seven countries specifically exempted, nor the importance of providing economic assistance to achieve important U.S. foreign policy objectives. For example, should Thailand, Laos, or South Vietnam find it necessary to purchase jet aircraft, the amendment would require reductions in economic support for their efforts to counter Communist insurgency. ...

The proposed amendment puts achievement of U.S. policy objectives at the mercy of sales efforts of





other nations, whether western European or Communist.

The proposed amendment discriminated against countries which do not or cannot manufacture sophisticated weapons themselves, but must obtain them from other countries. In effect, it puts a premium on the diversion of LDC [less developed country] productive capacity from development-oriented industries into the production of armaments. . . .

Finally, the proposed amendment is almost impossible to administer from a technical standpoint. How is the United States to determine what a particular less developed country "spends" for "sophisticated weapons systems"? Is the United States to consider actual expenditures or commitments to buy? . . .

SENATOR SMITH. That is all for the moment. Thank you very much.

SECRETARY McNAMARA. You are very welcome. <sup>50</sup>

The next example provides an indication of the extent to which the Senate Appropriations Committee was willing to cooperate with the Secretary of Defense.

SENATOR PASTORE. Are there any other remarks you want to make with reference to the legislation, Mr. Secretary?

SECRETARY McNAMARA. The legislation this year is particularly restrictive, Mr. Chairman. Because so many of the restrictions are included in the authorization bill, it is impossible at this point to eliminate them. Therefore, I will not take the time of the committee to discuss them. I will wish to do so, however, next year. The main problems we have with the House [appropriations] bill are two. One is the amount of money proposed -- the \$365 million which is completely unsatisfactory and which needs to be raised back to the \$510 million . . . . In any event, the first problem we have is with the monetary amount. I plead with you to raise it back to the authorized



level. /Italics supplied./

The second problem we have is with the so-called Conte-Long amendment which restricts the grant or sale of so-called sophisticated equipment to certain countries. That is a very serious restriction.

SENATOR PASTORE. Could we rewrite that in a way that would be acceptable to you without eliminating it entirely? /Italics supplied./ The reason why I say that is for practical purposes. Reading the section, it has a tremendous amount of appeal. I think it is a matter of carrying out your objective, yet preserving it and yet rewriting it in such a way that it will be acceptable.

SECRETARY McNAMARA. I think the Congress has realized over the years that there are a number of restrictions in the foreign aid legislation which are desirable with certain exceptions, and it has provided for those restrictions and for the exceptions by language which gives the President, upon his determination, authority to make exceptions in those cases. I think we might be able to apply that principle to this particular provision.

SENATOR PASTORE. Try to work out some alternative language. /Italics supplied./

SECRETARY McNAMARA. We will do so, Mr. Chairman. /Italics supplied./ 51

The committee had not only asked the Secretary to provide them with talking points which could be used in arguments on the Senate floor and in conference with the House Appropriations Committee, but had also given him carte blanche to help write alternatives to the Conte-Long amendments -- this was certainly different from the treatment which Secretary McNamara had received from the Passman



subcommittee.

The concluding discussion at this hearing could almost be described as a strategy session between the executive branch and the committee.

SENATOR PASTORE. Chairman Hayden would like to ask a question.

CHAIRMAN HAYDEN. I want to say this is the most negative piece of legislation at which I have ever looked. I hope that in your suggested amendments there can be some way to take some of the do-nothings out of it, prohibitions on it, so that we may act freely.

SECRETARY McNAMARA. We would like the advice of your committee as to how far to go. This is a problem of tactics with the House. We have a number of suggestions. We would like to work with the staff on those. We would like your guidance. *Italics supplied.*<sup>7</sup>

SENATOR SMITH. The problem is more the language than the money?

SENATOR PASTORE. It will be both. I think we can reshape that language. Where the President feels in the national interest thus and so, and leave it intact. You have to have a saving clause rather than a complete deletion, because the deletion would get us into a hassle. On the money part it is a question of how the committee feels. You know how I feel, Mrs. Smith. I think I know how you feel.

SENATOR HOLLAND. *Spessard L. Holland (D - Fla.)*<sup>7</sup>  
It looks to me like we have to return to the full amount of the authorization bill on military assistance and fight every way we know how.<sup>52</sup>

With Secretary McNamara's departure from the Senate

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<sup>52/</sup> U.S. Congress, Senate, Foreign Assistance and Related Agencies Appropriations For Fiscal Year 1968, p. 368.





Appropriations Committee hearing, the administration's access to congressional forums on military assistance was closed out for 1967. Had the Secretary (or his subordinates) enjoyed the same rapport with the other committees which had reviewed the Military Assistance Program that year the legislative outcome might have been very different. Whether the Secretary's final appearance could affect the ultimate form of the appropriations act depended upon the ability of the committee members to sway not only their colleagues in the Senate at large but also their counterparts in the House of Representatives.

#### The House Resolution and House Passage of the Appropriations Act

At the same time that Secretary McNamara was addressing the Senate Appropriations Committee, a debate was in progress in the House on the subject of the appropriations bill recommended by the House Appropriations Committee.

In order to preclude objections from members of the House (particularly from members of the Committee on Foreign Affairs) concerning the legislative nature of the Conte-Long amendments, a resolution was initiated through the Rules Committee (House Resolution Number 978) which would waive all points of order against the appropriations bill recommended by the House Appropriations Committee. Although by no means unique, this procedure was sufficiently rare to prompt considerable debate on the House floor. One congressman,



John P. Saylor (R - Penn.), expressed his opposition to the resolution and the inclusion of the Conte-Long amendments in the appropriations bill.

MR. SAYLOR. Mr. Speaker, the issue that is before the House today [November 16, 1967], in my opinion, transcends the Rules Committee, the Foreign Affairs Committee, and the Appropriations Committee. What is involved is whether or not the House of Representatives will respect its own rules. ... Rule 11 of the 90th Congress defines the powers and duties of committees, and the jurisdiction of all the standing committees of the House are therein clearly defined. Nowhere can one find any authority for the Appropriations Committee to legislate. Their duty is to "provide for the appropriation of the revenue for the support of the Government."

Today the Rules Committee has presented us with a special rule asking that the House lay aside its rules and permit the Committee on Appropriations to present a bill, which clearly violates the rules of the house ...<sup>53</sup>

Congressman Conte rose to defend the resolution. At stake were his efforts to restrain the Military Assistance Program.

MR. CONTE. Mr. Speaker, I hope that the rule will be adopted. Really, I do not know what some members are getting so upset about with respect to a rule waiving points of order. The whole underlying fact seems to be that they are afraid to debate the amendments and let the House work its will. ... Mr. Speaker, I have sat on the Subcommittee on Foreign Operations for 9 years on the Committee on Appropriations. I have never tried to trespass upon the jurisdiction of the Committee on Foreign Affairs. Mr. Speaker, for 9 years I have heard members from the executive branch come before our committee and testify that they agree with us that these developing

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<sup>53/</sup> U.S. Congressional Record, 90th Congress, 1st session, Vol. 113, pt. 24 (November 16, 1967), p. 32861.



nations and these underdeveloped nations throughout the world should not have these sophisticated weapons of war. . . . And year after year when they would come back we would ask them the same question and they would have some excuse as to why they sold or gave these weapons to these underdeveloped nations.

MR. HAYS. Wayne L. Hays (D - Ohio) Did the gentleman read the authorization bill and does he know that in the authorization this is prohibited?

MR. CONTE. Mr. Speaker, I have read the authorization bill and it simply does not go far enough with respect to the issues covered in our appropriations bill.

Mr. Speaker, if any of these countries in Latin America or in Africa get into an arms race in sophisticated weapons of war, their economic assistance should be cut down accordingly. Mr. Speaker, these people in Latin America and Africa face very difficult circumstances. They have to overcome severe problems of poverty, disease, and illiteracy. They cannot afford this type of operation. Furthermore, to the extent they partake in these operations, they substantially diminish the effectiveness of our programs by not making sufficient efforts of their own. . . .

Mr. Speaker, I am sick and tired of the fellows with the striped pants coming up here and telling us what to do. I think it is time that we told them what to do.

/Italics supplied./ 54

Congressman Long, the co-author of the amendments also rose to defend the resolution.

MR. LONG. Mr. Speaker, I rise in support of this rule. The amendments that were put into this bill were put in to prevent a hideous waste of the taxpayers' money. That is surely the fundamental purpose of the Committee on Appropriations. . . . I feel that the amendments to the foreign assistance appropriations bill which we are considering today are limitations, and do not constitute





legislation. They apply solely to the appropriations under consideration and do not operate beyond the fiscal year for which the appropriation is made. In addition, they do not prescribe affirmative directions to administrative action and they do not change or modify existing law. <sup>55</sup>

Apparently the arguments of Mr. Conte and Mr. Long were persuasive for the majority of the congressman in the House. The resolution was passed by a vote of 200 to 190. The way was cleared for a floor vote on the appropriations bill.

The debate which took place on November 17, 1967, incident to the passage of the appropriations bill by the House, was centered about the Conte-Long amendments rather than the amounts of money which the bill would appropriate. Some of the arguments raised during this debate served to illustrate the shortcomings of the restraints proposed by Mr. Conte and Mr. Long. The congressman who saw those shortcomings most clearly was Jonathan B. Bingham (D - N. Y.).

MR. BINGHAM. I know what the gentleman /Mr. Conte/ is trying to do and I agree with his objectives, but I do not think the language as it appears in the bill is well calculated to achieve these objectives. I think on the contrary it may do a great deal of damage to the economic and technical assistance programs which are provided for in this act. . . . The section as it is drawn I believe to be wholly unworkable for this reason: There is no such thing as a given figure for any particular country's AID program, from which the amount of arms purchases could be withheld or deducted. It is like saying "2 cents off." Two cents off what?





The AID agency does not start off .. by saying to Ethiopia, "We have \$10 million for you this year. Now let us figure out how we are going to spend it." That is not how it is done. We talk about projects, and we sign project agreements, and when those project agreements are signed, as we come to the end of the year, then we may have a total of what the AID program for that country will be for that year.

What the Conte amendment would require us to do is, if some arms purchase is made that we dislike, that we would then have to go back and say, "no, we will have to back away from this or that project contract. We cannot go through with it."

Finally, I think ... this is a punitive provision as it is now drawn. I think it would poison relations with a lot of countries. ... I think the effect of the language as it is now drawn will not be to stop the use of military equipment but simply will be to interfere with and poison and destroy the usefulness of the technical and economic assistance programs which are covered in this bill.  
/Italics supplied./ 56

From Congressman Conte's response to Mr. Bingham, it is clear that the author of the amendment failed to appreciate the danger inherent in his work which had just been pointed out to him.

MR. CONTE. I can give the gentleman the answer about Ethiopia. I feel that there should be no more arms for Ethiopia. ... I have been in Ethiopia twice. I have traveled that country from top to bottom. They have more misery and sickness in Ethiopia than any country in the world, and they are spending all of their money on military equipment, and not by my vote are they going to get any more. /Italics supplied./

MR. BINGHAM. The gentleman misses the point that I have tried to make.

MR. CONTE. Let the United Nations go in there and



take care of the situation. I am not going to be a peddler of war armaments. /Italics supplied./57

In order to justify his rather moralistic point of view, Mr. Conte expanded on his reasons for wanting to prohibit arms from going to underdeveloped countries.

MR. CONTE. Let me read a statement from the Foreign Minister of Chile, Gabriel Valdez:

Each year \$1.4 billion is being spent for military assistance in Latin America. /Pre-sumably this figure represents local defense budgets./

He further stated that these costs, and I will quote:

Take the clothes off the backs, and food from the stomachs, and education from the minds, of children.

I could not agree with him more. For 9 years I have stood in this well and I have pleaded for foreign aid ... but I cannot go on. I cannot continue supporting aid to countries who need money so desperately for food and for clothing and for medicine and for education, and who take this desperately needed money and divert it to buy weapons of war. 58

It seemed that Mr. Conte could not be shaken from the essentially moral purpose of the legislation which he proposed, however, Mr. Bingham was moved to try once more (and in so doing, underscored what would be a major difficulty in administering the law as Mr. Conte would have it).

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57/ U. S. , Congressional Record, p. 32972.

58/ Ibid., p. 32973.



MR. BINGHAM. The gentleman [Mr. Conte] speaks -- and most of the references this afternoon have been also -- to Latin America, and this is where some of the outrages have occurred. There are no external threats of aggression to amount to anything in Latin America. I would agree to that. But this section is not limited to Latin America. ... The whole point here is that it is a great danger to try to list specific states and to say, "Now for the next year, these are the only states we in the Congress say can buy sophisticated weapons. If other states do it, we will penalize them. We will hurt them."

There is another point. We will have to be snooping around, for all of these countries, to see whether they do buy sophisticated weapons. We will have to be snooping around in various African countries. Nigeria has been in trouble lately. I do not know whether Nigeria is using sophisticated weapons in the rebellion or not. We would have to go snooping and see. If we found that they were we would have to say that the technical assistance we give Nigeria, which is not large, would be reduced or cut out. ...

I believe in this economic and technical aid program. I hate to see underdeveloped countries misuse their resources for military assistance, But please do not use this kind of meat-ax approach, that would allow no flexibility, that would be regarded as punitive by these various countries, as interfering with their sovereignty.<sup>59</sup>

As in the previous day's debate on the resolution, it was Mr. Conte's arguments which had the greater persuasive force. The floor vote taken on November 17 passed the recommended appropriations bill -- with the Conte-Long amendments intact -- by a vote of 167 to 143.

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<sup>59/</sup> U.S., Congressional Record, p. 32973.





The Senate Report and Compromise on the  
Appropriations Act.

The report of the Senate Appropriations Committee, which was published on November 28, 1967, recommended that the appropriation for the Military Assistance Program match the amount authorized in the Foreign Assistance Act of 1967 -- \$510 million -- because,

... it /the committee/ firmly believes that a reduction of the magnitude made by the House would have a seriously adverse impact on the present security objectives of the United States. The reduction incurred by the military assistance program during the authorization process approximates 18 percent of the budget estimate, which the committee thinks is an appreciable cutback, perhaps more than this program should be required to endure during these perilous times.<sup>60</sup>

In addition to recommending the restoration of funds which the House desired cut, the Senate committee struck out one of the Conte-Long amendments altogether (the provision which would have directed the President to withhold economic assistance in an amount equivalent to that spent by an underdeveloped country on sophisticated weapons), and recommended altering the language of the other (which would have prohibited Defense Department financing of sophisticated weapons sales to underdeveloped countries) to bring it into line with the intent of the Symington amendment to the already passed Foreign Assistance Act.

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60/ U.S. Congress, Senate, Foreign Assistance and Related Agencies Appropriations Bill, 1968, Report of the Committee on Appropriations, 90th Congress, 1st session, Report No. 807 (November 28, 1967) (Washington: U.S. Government Printing Office, 1967), p. 13.



The amendment, as recommended by the Senate Appropriations Committee would read:

:Provided further, that none of the funds appropriated in this paragraph (including funds used for the military assistance credit sales revolving fund) shall be used to finance directly or indirectly the purchase or acquisition of sophisticated weapons systems, such as missile systems and jet aircraft for military purposes, by or for any underdeveloped country, when the President finds that such funds or the recipient or purchasing country's own resources are being used for unnecessary military expenditures, to a degree which materially interferes with its development. In making such finding, the President shall take into account (1) the percentage of the recipient or purchasing country's budget which is devoted to military purposes, and (2) the degree to which the recipient or purchasing country is using its foreign exchange resources to acquire military equipment. 61

True to their understanding with the Secretary of Defense, Senator Pastore and his colleagues had done their best to repair the damage which the House was in the process of wrecking on the Military Assistance Program. Recommendation of the \$510 million amount was the best that the committee could do in the way of appropriation because the authorization act, which was now law, had provided for no more than that. In rhyming one of the Conte-Long amendments with the already enacted Symington amendment, and in dropping reference to the other amendment, the committee was probably going as far as it dared in defying the intent of the House. Whether or not the Secretary of Defense had proposed the amendment language which

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61/ U.S. Congress, Senate, Foreign Assistance and Related Agencies Appropriations Bill, 1968, p. 15.



appeared in the committee report -- as he had been invited to do -- is not known. Certainly he could not have altered the Conte-Long amendments much more effectively (in his favor) had he done so.

The appropriations bill, as it was recommended by the Senate Appropriations Committee, passed the Senate on December 7, 1967, by a vote of 56 to 22. A conference between the two houses of the Congress was, of course, inevitable -- the versions of the bills which had been passed were hardly less dissimilar than the versions of the authorization act had been. When the conference report was called up before the House of Representatives one week later (on December 14, 1967) it was obvious that the House conference conferees had nearly had their way in legislating restraint of the Military Assistance Program. In his comments introducing the conference report (House Report No. 1044), Congressman Passman -- who had been the leading House conferee -- said,

Mr. Speaker, last night at 9 o'clock I received a call from one of my very dear friends and colleagues. He said, "Otto, I understand you have finished your conference on foreign aid. Are you bringing back a good foreign aid appropriation bill?"

This was my response: "No, my friend, I am not. Insofar as I am concerned, there is no such thing as a good foreign aid bill. But I can assure you that I am bringing back to the House for its consideration the best foreign aid appropriation bill considered by this congress." ...

Mr. Speaker, I have never believed in spending money we do not have for things we do not need, trying to be everything to everybody, everywhere.

That is my philosophy. So I have reasons today for being happy and elated because, in my candid opinion,





never in the history of the Congress has any group of House conferees ever had a greater victory in reducing the amount of Senate increases in a major appropriation bill than did the Foreign Operations Subcommittee members. /Nearly all of whom had been House conferees on the conference committee. Both Mr. Conte and Mr. Long had been conferees.<sup>762</sup>

Congressman Passman had reason indeed to be "happy and elated." The compromise reached by the conference committee provided for a Military Assistance Program appropriation of \$400 million -- hardly much of an increase above the \$365 million recommended by the House, but a significant decrease from the \$510 million recommended by the Senate, and an enormous cut below the \$598 million which the administration had so confidently requested ten months before. In addition, the House managers of the appropriation bill had brooked no wholesale disregard of the Conte-Long amendments. The alternative language proposed by the Senate was rejected -- the House conferees agreeing only to,

... offer a motion to insert language similar to that proposed by the House together with a provision that the President may use such funds /appropriated for military assistance/ when he determines that the furnishing of sophisticated weapons to underdeveloped countries is vital to the national security of the United States and reports within 30 days each determination to the Congress. /Italics supplied./<sup>63</sup>

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<sup>62/</sup> U. S. Congressional Record, 90th Congress, 1st session, Vol. 113, pt. 27, (December 17, 1967), pp. 36521-36522.

<sup>63/</sup> Ibid., p. 36521.





The other amendment, which the Senate had recommended be stricken altogether, would be retained -- however, the House conferees promised to,

... offer a motion to insert language similar to that proposed by the House together with a provision that an equivalent amount of economic assistance need not be withheld when the President determines that purchases and acquisitions of sophisticated weapons by underdeveloped countries is vital to the national security of the United States and reports within 30 days each determination to the Congress.  
*/Italics supplied./*<sup>64</sup>

The hearing before the Senate Appropriations Committee had concluded with a promise by Senator Holland to "fight every way we know how" for the Military Assistance Program budget. The outcome of whatever fight Senator Holland (he was one of the Senate conferees) put up was much less than satisfactory for the program. Senator Pastore, on the other hand, had promised to "reshape" the language of the Conte-Long amendments -- "where the President feels in the national interest thus and so." It would seem that he had been at least partially successful. Each amendment, when it became law, would contain the "saving clause" allowing the President to circumvent the intent of the amendment whenever he determined it to be "vital to the national security of the United States" to do so. In each case, the Congress would be assured that it would be advised of such a determination

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<sup>64/</sup> U. S. Congressional Record, p. 36521.



in a timely manner. Given Congressman Passman's conviction that "there is no such thing as a good foreign aid bill," and Congressman Conte's adamant belief in the necessity for his amendments, (and the pressure for adjournment before Christmas) it would have been surprising had the Senate been able to go further in affecting the will of the House.

The following day, the Senate and the House both agreed to accept the compromise appropriations bill as it was recommended by the conference committee. The President signed the Foreign Assistance and Related Agencies Appropriations Act for 1968 on January 2, 1968, and, in so doing, officially recognized nearly all of the restraint which the Congress would impose on the Military Assistance Program. Only one other restraining action remained to be taken -- the Export - Import Bank had yet to be prohibited from financing credit sales of arms and military equipment.

#### PASSAGE OF THE EXPORT-IMPORT BANK EXTENSION ACT OF 1968

Having received the testimony of the President of the Export - Import Bank and also of other administration officials (Mr. Rostow, Mr. Nitze, and Mr. Barr) -- and having listened to Senator Ellender's case for restraint of the Export - Import Bank -- on July 25, 1967, the Senate Banking and Currency Committee was convinced of the desirability of curtailing the Bank's participation in the financing of credit arms sales to underdeveloped countries. In its report,



published August 4, it recommended the following amendment to the bill which would extent the life and the financial strength of the Bank:

It is further the policy of the Congress that the Bank in the exercise of its functions shall not guarantee, insure or extend credit, or participate in an extension of credit in connection with any credit sale of defense articles and defense services by the Government of the United States under the Foreign Assistance Act of 1961, as amended, or by United States exporters, the repayment of which is guaranteed under section 503 (e) and section 509 (b) of said Foreign Assistance Act: Provided, That whenever the President determines that such guarantees, insurance, extension of credits, or participation in credits, would be in the national security interest and reports such determination (within thirty days after making the same) to the Senate and House of Representatives, such guarantees, insurance, or extension of credits may be made, or participated in, by the Bank notwithstanding the policy herein stated.<sup>65</sup>

By way of explanation of this recommended amendment, the report stated:

The committee does not recommend any restriction on Eximbank financing of defense article sales to the industrialized countries. Such credit sales are made to friendly governments in Europe and Oceania who are able to make repayments on schedule and who need the type and quality of military equipment financed not only for their own security but for that of the free world as well. In addition, such sales further our balance-of-payments position.

However, the committee recognizes the problems involved in the sale of military equipment to smaller and less developed nations. The committee feels that the Eximbank should

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<sup>65/</sup> U.S. Congress, Senate, Export-Import Bank Act Amendments of 1967, Report of the Committee on Banking and Currency, 90th Congress, 1st session, Report No. 493 (August 4, 1967) (Washington: U.S. Government Printing Office, 1967), p. 13.





participate in financing such sales only after the most careful and prudent study at the highest level of government, taking into consideration the impact of such sales upon international security and upon the economic development of the nation involved. Accordingly, the committee recommends that congressional policy be expressly slated against such financing to less developed countries unless the President determines it to be in the national interest and so reports to the Congress.

The committee expects such reports to be made on all transactions and to include the name of each country and the dollar amount and general type of equipment involved in each transaction.

In addition, the committee feels that this program should continue to be subjected to the most careful legislative oversight from appropriate congressional committees.

The Banking and Currency Committee intends to discharge its responsibilities in this area and has been assured and expects full cooperation from the proper Government departments and the Eximbank in this respect.<sup>66</sup>

Three members of the committee felt that, although they agreed with the amendment restraining the activity of the Export - Import Bank, the body of the report did not sufficiently express their displeasure with the Bank's previous involvement in the financing of arms sales. Consequently, Senator William Proxmire (D - Wis.) and Senator Harrison Williams (D - N. J.) insisted that their individual views, which included the following statement, be appended to the report.

We have grave reservations on the practice of using the lending authority of the Export-Import Bank to finance the sale of military equipment to underdeveloped countries. We find it even more disturbing that this policy was carried out in secrecy and that the Committee on Banking and Currency was not kept informed on the growing arms

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<sup>66/</sup> U.S. Congress, Senate, Export-Import Bank Act Amendments of 1967, p. 6.



business of the Bank. In the last 2 years \$604 million of so-called country - X loans have been made. Under this procedure the Export-Import Bank extends liberal credit terms for arms shipments to underdeveloped countries with the entire transaction guaranteed by the Department of Defense. The arms business has grown to such an extent that 36 percent of the Bank's loans are to finance military equipment. Yet in requesting additional lending authority from the Banking and Currency Committee on May 16, 1967, not one word of testimony was given by the Bank regarding its heavy involvement in the arms business.

In addition to secrecy, the program was also financed through the back-door spending authority of the Bank, thus bypassing effective control by the Foreign Relations and Appropriations Committees. The President of the Export-Import Bank testified that had the Banking and Currency Committee raised questions regarding the arms traffic, he would have supplied the information. However, in view of the veil of secrecy surrounding the program, it is not surprising that no questions were asked. Thus, effective congressional oversight over this sensitive and controversial program has been hampered by secrecy and the proliferation of responsibility between different congressional committees.<sup>67</sup>

Senator William B. Spong, Jr., (D - Va.) also had his individual view attached to the report.

The export of arms to the less developed countries is a matter of deepest consequence to our foreign policy and the peace of the world. Such exports should be under the continuing scrutiny and control of the President and the Congress. The use of Export-Import Bank financing and the Department of Defense revolving fund guaranteeing such loans denies the Congress effective oversight and control.

The Congress should regain its influence in this vital area of foreign policy by preventing the Export-Import Bank from extending credit for such sales and by

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<sup>67/</sup> U.S. Congress, Senate, Export-Import Bank Act. Amendments of 1967, p. 21.



financing such exports by annual appropriations. This will put the entire financing of the program under the annual review of the Foreign Relations and Appropriations Committees which have the expertise and primary jurisdiction concerning this subject. Such action will not prevent the sale of arms to any country, but will assure that the Congress exercises its proper control over the policies governing such sales.<sup>68</sup>

The amendment which the Banking and Currency Committee suggested was not, however, considered stringent enough by Senator Ellender. As a debate began on the Export - Import Bank Extension Act, Senator Ellender proposed an amendment more to his liking:

It is further the policy of the Congress that the Bank shall not in the exercise of its functions under this Act or any other law, issue guarantees, insurance, coinsurance or reinsurance, make loans, or in any other way extend or participate in an extension of credit, in connection with the purchase of any defense article (as defined in section 644 (d) of the Foreign Assistance Act of 1961, as amended) by any less developed country, or agency or national thereof.<sup>69</sup>

Argument in the Senate on the merits of the Ellender amendment revolved around the question of disclosure of the Bank's arms sales activities by the executive branch. In the opinion of Senator Frank Church (D - Ida.),

It came as a surprise, indeed, a shock to the Congress to discover suddenly that in excess of \$600 million worth

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<sup>68/</sup> U.S. Congress, Senate, Export-Import Bank Act. Amendments of 1967, p. 26.

<sup>69/</sup> U.S. Congressional Record, 90th Congress, 1st session, Vol. 113, pt. 16 (August 8, 1967), p. 21789.





of Export-Import Bank credit had been extended to finance these sales of military hardware to underdeveloped countries.<sup>70</sup>

Senator Edmund S. Muskie (D - Me.) protested that the record showed that adequate disclosure had been made. Pointing to the Congressional Record since 1962, he said,

... that congressional small print is a clear indication that we knew what we were doing; that we authorized the guarantee program; that we knew the Export-Import Bank was involved.<sup>71</sup>

Senator Church was not satisfied that the Congressional Record constituted adequate disclosure.

Mr. President, I think the Senator from Maine lets the executive branch off too easily regarding its responsibility to the Congress of the United States. If Congress had been informed as to what this was all about, what was the occasion for the sudden uproar in both Houses, which has filled the newspapers? It is not enough to slip the information to us in small print. The obligation is on the executive branch to properly inform the Congress.

I have yet to see any previous testimony disclosing the extent to which the Export-Import Bank was being used to finance the large-scale distribution of arms to the underdeveloped countries of the world. As a matter of fact, it was not until the staff of the Foreign Relations Committee began to look into this question in early January that we began to get some idea of the rapid growth and startling dimension of the program. It was then we commenced the course of inquiry which led both the Foreign Relations Committee and the

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<sup>70/</sup> U.S., Congressional Record, p. 21794.

<sup>71/</sup> Ibid., p. 21796.





Banking and Currency Committee and committees of the House of Representatives to look into the whole question. I think the uproar the disclosures caused in Congress is sufficient evidence to validate our argument that the Congress was never adequately informed. We were, in truth, kept blindfolded. *[Italics supplied.]*<sup>72</sup>

The Ellender amendment was defeated by a vote of 48 to 40 and, on August 11, 1967, the Senate passed the Export - Import Bank Extension Act in the form which had been recommended by the Senate Banking and Currency Committee.

#### House Action and Final Passage of the Export-Import Bank Act

The House Committee on Banking and Currency had also had an opportunity (on July 17, 1967) to question the President of the Export - Import Bank and other executive officials about the Bank's growing involvement in the financing of credit arms sales. Action on the bill extending the life of the Bank was held up in the House, however, due to consternation over a projected Bank loan which would have financed machinery the ultimate destination of which would have been a Fiat automobile plant in the Soviet Union. The House Committee on Rules did not report approval of a resolution providing for consideration of the Bank bill until November 28, 1967 (this was done through House Report No. 990, in reference to House Resolution 993). Other

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<sup>72/</sup> U.S., Congressional Record, p. 21796.



business and the holiday adjournment further delayed action until February 6, 1968. By this time, of course, both the foreign assistance authorization and appropriations bills had become law and considerable restraint on the Military Assistance Program had already been imposed.

Congressman Wright Patman (D - Tex.), chairman of the House Banking and Currency Committee proposed the following amendment to the Export - Import Bank bill:

The Bank shall not guarantee, insure or extend credit, or participate in an extension of credit in connection with any credit sale of defense articles and defense services to any country designated under section 4916 of the Internal Revenue Code of 1954 as an economically less developed country for purposes of the tax imposed by section 4911 of that Code. The prohibitions set forth in this paragraph shall not apply with respect to any transaction the consummation of which the President determines would be in the national interest and reports such determination (within thirty days after making the same) to the Senate and House of Representatives. In making any such determination the President shall take into account, among other considerations, the national interest in avoiding arms races among countries not directly menaced by the Soviet Union or by Communist China; in avoiding arming military dictators who are denying social progress to their own peoples; and in avoiding expenditures by developing countries of scarce foreign exchange needed for peaceful economic progress.<sup>73</sup>

Where the Senate had desired to restrain the activities of the Export - Import Bank in regard to those credit arms sales which

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<sup>73/</sup> U.S., Congressional Record, 90th Congress, 2nd session, Vol. 114, pt. 2 (February 7, 1968), p. 2433.



depended upon the Defense Department's guarantee authority (through its revolving fund), the House, in recognizing that the Foreign Assistance Act of 1967 had abolished the revolving fund and the guarantee authority (effective June 30, 1968), aimed their restraint at any and all transactions with less developed countries that included defense articles or services. The Senate had included a "saving clause" which provided for Presidential determinations (and prompt reports to the Congress) and the House had done the same. The House clause, however, was subject to three caveats: the President must take into account the national interest in avoiding arms races, in avoiding arming military dictators, and in avoiding expenditures by developing countries of scarce foreign exchange.

The conference report which was presented to the Senate (on February, 21) and to the House (on February 27, 1968) reconciled the two versions of restraint on the Export - Import Bank by accepting the House amendment word for word.

Agreed to in both houses with almost no debate, the Export - Import Bank Extension Act was then signed into law by the President on March 14, 1968.

Legislative oversight of the Military Assistance Program, called for by Dr. Bader in his staff study 14 months before, had become a reality. Moreover, the Congress had, in the process of this oversight, moved beyond a critical review of the program and had initiated legislative control in the form of restraint. Response





to that restraint by the executive branch would determine whether the Congress had designed their control sufficiently well to achieve the goals which had been avowed in the hearings and the reports and the floor debates of 1967.



## CHAPTER VII

### EXECUTIVE RESPONSE TO RESTRAINT OF THE MILITARY ASSISTANCE PROGRAM

The various restraints imposed upon the Military Assistance Program by the 90th Congress could be said to cover three facets of the program -- its fiscal assets, its operational scope, and its administrative responsibility. In order to measure the response of the executive branch to these restraints it is helpful to consider them according to those three categories, as follows:

- a. Fiscal: the budgetary limitation of \$400 million.
- b. Operational: the military assistance ceilings to Latin America and Africa (\$75 million and \$40 million respectively); the first Conte-Long amendment which prohibited the dispensing of "sophisticated weapons" to "underdeveloped countries" (subject, of course, to the exceptions given and to Presidential determination); the termination of the Defense Department's guarantee authority and the abolition of the revolving fund; and the prohibition of Export - Import Bank participation in the financing of credit sales of defense articles and services to "less developed countries" (which was also subject to Presidential determination and certain "considerations").



c. Administrative: the second Conte-Long amendment which required the President to monitor defense expenditures of "under-developed countries" for "sophisticated weapons" and to withhold like amounts of economic assistance (again, subject to certain exceptions and to Presidential determination); the Symington amendment which required the President to monitor "unnecessary military expenditures" on the part of U. S. aid recipients in order to detect the "diversion of resources" and to withhold all economic assistance pending the termination of such diversion; and the reports which were required of the President (on agreements for military equipment transfers to third countries) and the Secretary of State (on weapons or military materials exported from the United States).

## EXECUTIVE RESPONSE TO FISCAL RESTRAINT

### Discovery of the "Pipeline"

In his testimony before the Senate Appropriations Committee, Secretary of Defense McNamara had characterized the proposed cut in the Military Assistance budget as "disastrous." He went so far as to predict that "the inevitable result" of such a cut would be that "the United States must make up for the reductions in foreign forces supported by the Military Assistance Program with U. S. forces, or must retrench its foreign policy." Judging by his statements, one would suppose that the record of expenditures for military assistance



in fiscal year 1968 would show a marked decrease below that of previous years. Strangely, the reverse is true. All but one of the five so-called forward defense countries received markedly greater amounts of military assistance in fiscal year 1968 than they had in the previous year. The one exception -- Iran -- had already begun to shift from grant aid to arms sales (reflecting its improved economic condition) and nearly doubled its purchases of military equipment in fiscal 1968 over 1967. Even those countries which were receiving military assistance as quid pro quo for United States base rights (such as Spain, the Philippines, and Ethiopia) received more assistance in 1968 than they had in 1967. The countries of Latin America, whose primary justification for grant military assistance was "internal security," received as a group nearly \$14 million more in such assistance in fiscal 1968 than they had in 1967.<sup>1</sup> What exactly had averted the disaster predicted by Secretary McNamara?

The year 1968 began, it should be recalled, with a sudden increase in tension between the divided countries of North and South Korea. On January 23, 1968 the North Koreans captured the USS PUEBLO which was engaged in the collection of electronic intelligence. An attempted assassination of the President of South Korea (the "Blue House Raid") and a demonstrable increase in the numbers of North

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<sup>1</sup>/ U.S. Department of Defense, Military Assistance and Foreign Military Sales Facts -- March 1971 (Washington: U.S. Government Printing Office, 1971), pp. 10, 11, 22; see excerpts at Appendix D.





Koreans infiltrating South Korea for the purpose of establishing guerilla activity followed the PUEBLO incident and underscored the unrelenting hostility of the North Koreans. The argument that a strong Military Assistance Program was a positive asset in containing communist aggression seemed more than ever pertinent in regard to the situation on the Korean peninsula. In mid-year the administration requested from the Congress a \$100 million supplemental appropriation specifically for military assistance for South Korea. This addition to the Military Assistance Program budget was granted for fiscal 1968, thus bringing the total appropriation to \$500 million. This figure was still below the \$596 million which the administration had originally requested and it was considerably short of the \$718.7 million which the Defense Department's records indicate were actually spent for military assistance worldwide in fiscal 1968.<sup>2</sup> Where had the funds come from which were spent in excess of the appropriation?

The records of the Department of Defense show that during the first four years of appropriations for military assistance (fiscal years 1950 to 1953) the department actually expended only a fraction of those appropriations. The time required to produce weapons and military equipment in response to government requests is frequently in excess of one year, therefore, funds may be obligated by the Defense Department for long periods against the final delivery of purchased items.

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2/ U.S. Department of Defense, Military Assistance and Foreign Military Sales Facts -- March 1971, p. 11.



In fiscal year 1953 the pool of obligated funds had risen to over \$12 billion. In addition, the requirements for certain items of military assistance sometimes change or even lapse altogether between the time that appropriations are requested and the time they are finally granted. This causes a surplus of funds which are neither expended nor obligated. In fiscal 1953 this surplus had risen to nearly \$2 billion, and the following year it rose still further to over \$2.4 billion. During the years between fiscal 1953 and fiscal 1966 these two large pools of obligated and unobligated funds gradually shrank (except for the years 1961, 1962 and 1966, when less money was expended for military assistance than was appropriated) as expenditures caught up with obligations. This process of delayed spending was frequently referred to as the "pipeline." It was this pipeline, then, which continued to finance the Military Assistance Program despite the budget reduction imposed by the Congress in fiscal year 1968.<sup>3</sup>

The use of pipeline, or obligated, funds to deficit finance the Military Assistance Program had, of course, some disadvantages. The most obvious being that the procurement of new equipment (for which funds had been obligated) was sacrificed in order to meet the current operating costs of the standing forces supported by the Military Assistance Program. During the early years of the program

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<sup>3/</sup> In fiscal year 1969 only \$375 million was appropriated by the Congress for the Military Assistance Program (\$420 million had been requested by the administration), but \$589.4 million was expended; see the "Summary Status of Funds" at Appendix P.



investment costs (new procurement) had consumed most of the funds expended for military assistance. As the newly created forces grew larger, however, more and more funds had to be committed to maintenance and operating costs (fuel and lubricants, spare parts, and other consumables). By fiscal year 1968 these operating costs had grown to over half of the total military assistance expenditures. Meeting these costs was paramount, consequently funds had to be reallocated within the reduced budget for 1968 and new procurement for force modernization was deferred or cancelled in order to release funds previously obligated. The essential forces supported by the Military Assistance Program -- those of the forward defense countries -- were valuable assets only so long as they were viable. If they were allowed to become obsolete over time due to the absence of funds for new procurement they would lose their viability (against an enemy whose forces were constantly being modernized). Should that happen, the funds spent on operating costs would be wasted. Fortunately, however, it seems that the Defense Department had accumulated a sufficient reservoir of obligated and unobligated funds by 1968 to sustain at least a few years of low military assistance budgets. In fact, once having been "discovered" by the administration, the pipeline was considered to hold ample funds to supplement the budget request for the following year, fiscal 1969, which was the lowest (\$420 million) in the history of post World War II military assistance. The results of fiscal restraint were not, then, as disastrous as had been advertised.





## EXECUTIVE RESPONSE TO OPERATIONAL RESTRAINTS

## The Military Assistance Ceilings

There were, as we have noted, several different operational restraints imposed upon the Military Assistance Program. The arbitrary ceilings which were placed on the value of military assistance and sales to Latin America and Africa seemed to cause the administration little particular difficulty. Defense Department records indicate that military assistance grants to Latin America in fiscal year 1968 were below the ceiling (being only \$72.8 million), but that when arms sales were added the total rose to \$120.1 million. This was considerably above the previous ceiling for Latin America of \$85 million and even above the \$100 million which the House Foreign Affairs Committee had recommended. This provides some indication that the administration had not taken the ceiling seriously (since arms sales consummated in fiscal 1968 were likely negotiated prior to that time). By the following year, however, the administration had brought the level of combined grants and sales within the ceiling -- Defense Department figures for fiscal 1969 showing grants of \$37.9 million and sales of \$35.3 million. Total grants and arms sales to Africa for fiscal 1968 were \$40.7 million and for fiscal 1969 were \$34.5 million.<sup>4</sup> The executive branch seemed prepared to respond to these

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<sup>4/</sup> U.S. Department of Defense, Military Assistance and Foreign Military Sales Facts -- March 1971, pp. 10, 11, 22, 23.



restraints within a reasonable period, and, moreover, seemed finally to understand that the Congress was prepared to enforce attention to the ceilings which it established.

### Restraint of Credit Arms Sales

Termination of the Defense Department's guarantee authority, the abolition of the revolving fund, and the prohibition against Export - Import Bank participation in the financing of credit arms sales to less developed countries brought an end, of course, to country - X loans. Accepted without response, these restraints would have nearly brought an end to the whole arms sales program. Taken together with the Conte-Long amendments, they would have had the effect of limiting arms sales to those made to developed countries on a strictly cash basis. Mr. Barr, the Under Secretary of the Treasury, and others had testified as to the difficulties of attracting commercial financing for credit arms sales (during the hearings before the House and Senate Banking and Currency Committees). The only alternative which the executive branch officials had suggested was to replace the existing mechanism for arranging credit arms sales (which so distressed members of the Congress) with some system of direct appropriations. Once the restraining legislation had been enacted, the administration had no recourse but to make a request for such appropriations from the Congress. This request took the form of the Foreign Military Sales Act of 1968.



Faced with a drastic curtailment in its arms sales program, the administration hastily devised draft legislation which separated the program from the Foreign Assistance Act in such a way as to establish foreign military sales as a distinct element of United States foreign policy, alongside economic and military assistance. As such, the Foreign Military Sales Program would entreat the Congress for an appropriation in its own behalf. The appropriation requested for fiscal year 1969 (following the terminated guarantee authority and abolished revolving fund) was \$296 million. As in the past, the President -- through the Department of Defense -- could guarantee repayment of loans made for arms sales and could obligate the funds appropriated (the \$296 million) in amounts equal to 25 percent of contractual liabilities in the interest of such guarantees. The President could not, however, as in the past, make such guarantees to any United States Government agency -- thus excluding the Export - Import Bank -- and could not retrieve funds once obligated in order to make additional obligations. All deobligated funds were to be reclaimed by the Treasury -- thus there would be no revolving fund. Without the kind offices of the Export - Import Bank and the flexibility provided by a self-sustaining fund the Office of International Logistics Negotiations would have to more than redouble its efforts to maintain its impressive sales posture.<sup>5</sup>

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<sup>5/</sup> Defense Department figures (see at Appendix D) indicate that arms sales to countries in East Asia and the Pacific and Latin America dropped appreciably in fiscal years 1969 and 1970, however, sales to





By the time the Foreign Military Sales Act was enacted (October 22, 1968), it had become weighed with all of the restraints which had been written into the Foreign Assistance Act and its appropriations legislation. In addition to banning participation by the Export - Import Bank and insuring against any reestablishment of the revolving fund, the new law prohibited sales which "would have the effect of arming military dictators who are denying social progress to their own people," (an amendment introduced by Congressman Henry Reuss) and sales which might ultimately furnish arms to any but the designated recipient: (thus expressing congressional interest in preventing the retransfer of American weapons to third countries) without the President's consent.<sup>6</sup> The ceilings on military assistance, including arms sales, to Latin America and Africa were reaffirmed and both of the Conte-Long amendments were included. In response to the administration's urging, however, the Presidential determinations appended to the Conte-Long amendments were authorized in cases wherein, in the President's view, it was "important" to the national security of the United States -- as opposed to "vital" to the national security -- that exceptions be made. The difference between "vital" and "important" being thought to be sufficient to allow the President a greater

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countries in the Near East, South Asia, Europe and Africa rose in the same years. The yearly value of all arms sales increased from fiscal 1967 to fiscal 1970 by nearly 56%.

6/ The Foreign Military Sales Act, Public Law 90-629, 82 Stat. 1320; found in U. S. Congress, Joint Committee Print, Legislation on Foreign Relations -- April 20, 1970 (Washington: U. S. Government Printing Office, 1970), pp. 216-225.





latitude should he choose to make such determinations. Complete reports on all sales and guarantees made to "economically less developed countries" were to be made by the President to the Speaker of the House of Representatives and the Senate Committee on Foreign Relations. Detailed reports on each phase of every sales transaction were to be made to the Congress on an annual basis -- no longer would any portion of the arms sales program be allowed to escape the attention of an alerted Congress.

With the passage of the Foreign Military Sales Act, the Congress made it clear that if the executive branch wanted to foster the sale of arms and military equipment by the United States, it would do so only on the terms of the legislative branch. The carte blanche once enjoyed by the "wide ranging" Mr. Kuss had been definitely circumscribed.

#### Response to the Conte-Long Amendments

The executive branch tended to regard the Conte-Long amendments in a piece, despite their affecting different facets of the Military Assistance Program -- one being "operational" in nature while the other was "administrative." In fact, initial executive response also included the Symington amendment. This response occurred almost immediately after enactment of the Foreign Assistance Act of 1967 and the Foreign Assistance and Related Agencies Appropriations Act for Fiscal 1968. In a "Memorandum For The President,"



dated February 13, 1968, the Under Secretary of State, Nicholas deB. Katzenbach, informed President Johnson that he, the Administrator for AID, William Gaud, and the Assistant Secretary of State for Congressional Relations, William Macomber, had approached members of the Congress about the application of the Conte-Long and Symington amendments.<sup>7</sup> As a result of the conversations which were held, Under Secretary Katzenbach gave the President the following appreciation of the situation:

My. general impression is a relatively hopeful one. While I think we will continue to get a certain amount of general static from the Hill on arms sales to LDC's /Less Developed Countries/, I also believe that there is a better understanding of the kinds of tough problems these Amendments give us. We are now far less likely to get serious adverse reaction from the Hill if we decide to move on a number of really difficult cases. To assure continued calm, I recommend that we consult key Congressmen and Senators, as we did on Jordan, prior to decisions on key cases where we anticipate possible trouble. /Italics supplied./<sup>8</sup>

It was the recommendation of the Under Secretary of State that at least some members of the Congress be incorporated into the arms sales decision making process. If the Conte-Long (and Symington) amendments had had no other effect, this single change in executive branch philosophy

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7/ Nicholas deB. Katzenbach, "Memorandum For The President," dated February 13, 1968, on file in the Department of State.

8/ Ibid., The administration had decided to recommence military assistance and arms sales to Jordan which had been curtailed during the June 1967 war.



would have justified their having been written into law (certainly in the eyes of many members of the Congress, at any rate). In order not to invite congressional criticism of Presidential determinations in arms sales cases which met the criteria of the Conte-Long amendments it would be better -- in Under Secretary Katzenbach's view -- to consult with legislators "prior to decisions." The responsibility for those decisions then, would be shared to some extent with the Congress. During the hearings on the Foreign Assistance Act of 1967 which were conducted by the Senate Foreign Relations Committee, Senator McCarthy had asked Secretary of State Rusk "what the State Department's position is as to what voice the Congress ought to have in deciding what countries you ought to give aid to" and "should we the Congress have some influence on policy"?<sup>9</sup> Secretary Rusk had equivocated on that occasion. Now, seven months later, his principal deputy was recommending a procedure through which the Congress might have a voice and might exercise some influence in this controversial segment of foreign policy. Legislative restraint had achieved at least that much.

The following excerpts from conversations with members of the Congress, reported in an attachment to Under Secretary Katzenbach's

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9/ U.S. Congress, Senate, Foreign Assistance Act of 1967, Hearings Before the Committee on Foreign Relations, 90th Congress, 1st session (Washington: U.S. Government Printing Office, 1967), p. 125; Senator McCarthy's remarks were quoted in full in Chapter IV.





memorandum, illustrate the feelings of some of the Congressmen and Senators who had framed the restraining legislation.

Congressman Silvio Conte -- Conte said that when he proposed his amendments he was interested primarily in Latin America and sub-Sahara Africa, although he realized that it would apply elsewhere and might give us difficulties. . . . He is also prepared to consider the question of whether it might not be possible to modify or rewrite the amendment somewhat in next year's appropriation act. Insofar as individual countries are concerned, he said he will say nothing if a waiver is granted for Jordan; he believes a waiver would be appropriate for Ethiopia because of our communications facilities in that country; he is less sure on Morocco, . . . he might go along with C-130's for the Congo; and he would apply the amendment strictly to small sub-Sahara African countries. He feels the amendment should apply to India and Pakistan if they buy sophisticated military equipment during the balance of this fiscal year.

With respect to South America, he is delighted that we have held back our AID program loan to Peru and feels the amendment should be applied to other Latin American countries if they buy either F-5's or Mirages. As Peru had contracted to buy Mirage jet fighters. If it must be one or the other, he agrees that we should sell F-5's rather than let them buy Mirages -- although in either case we should deduct the amount spent on their purchase from our economic aid.

Congressman Clarence Long -- Long's overall reaction was relatively reasonable. He recognized that the Administration had a difficult time in interpreting and reconciling the Conte/Long and Symington Amendments. He said that he thought his amendment would make it easier for the US to "stop the next level of arms purchases, or the one that would follow that." He admitted that he has little hope that the amendments will hold off any of the present round of arms purchases. He also said he believed his amendment -- since it is nondiscriminatory -- made it easier for the Administration to reduce aid to arms purchasing countries ("We are not discriminating against you, since the Amendment applies to all countries in similar circumstances").



[Long] was adamantly against arms sales to Latin America (he said that his Amendment had been principally aimed at the Latins and sub-Sahara Africa). Long did recognize, however, that we have real problems in the Middle East. He said that during the drafting of the Amendment he and his colleagues had recognized that Middle East arms sales might be necessary, but that it was politically impossible for them to exclude any Arab country from the effects of the Amendment. He said he "would be willing to consider exceptions" for the Middle East.

Congressman Henry Reuss -- After the Under Secretary /Katzenbach/ explained in some detail the technical difficulties that we faced in applying the Conte-Long and Symington Amendments, Congressman Reuss indicated that he would support the Executive Branch against unfair attacks over the way it applied the Amendments as long as he was convinced that Executive Branch officials were honestly and consistently pursuing the spirit and objectives of these Amendments. By way of illustration of his "flexibility", Reuss indicated that he had no difficulty over our decision to proceed now to supply arms to Jordan. Reuss' "flexibility" ceased, however, when the subject turned to F-5's for Brazil. He was adamantly opposed to our countenancing such a transaction and deeply disturbed that we should be agonizing over the decision.

Congressman Otto Passman -- Mr. Gaud talked to Chairman Passman Friday about these amendments. He is satisfied with the way we are handling them. He says he did not realize that the waiver provision was as tight as it is /presumably the determination that a sales case was "vital" to the national security/, and does not believe it should be that tight. He volunteered the information that he would do his best to get these amendments out of his bill altogether next year, and said he would strongly recommend this to Chairman Mahon. /Italics supplied./ He added that it would be much easier for him to get rid of them - and maybe he could only get rid of them - if the President told the Congress (or Mahon) that the amendments impaired the ability of the Administration to protect the national interest.

Senator Fulbright -- Senator Fulbright displayed no sympathy with respect to the problems created for the



Administration by the Symington and Conte-Long Amendments. He indicated that he understood the Executive was going to try to weaken these Amendments in the next session of Congress and he expressed considerable unhappiness over this. He thought we should be spending our energies in applying these amendments, rather than getting them altered or removed. /Italics supplied./

Senator Stuart Symington -- Symington told the Under Secretary that it was "up to the President to decide if a Presidential determination should be made," and that he "would not be terribly concerned" about any of the President's decisions. He also said he would be willing to see what he could do to lessen the impact of Conte-Long if it gives us real problems. /Italics supplied./ The Senator recognized that his Amendment was most useful as leverage in persuading countries to limit arms expenditures, and that it was of less use after decisions had been taken on the arms purchase and expenditure; therefore, he left it up to the President. ... The Senator said that he would never have introduced his Amendment in the first place if he had not been misled about F-4 sales to Iran. /Italics supplied./ <sup>10</sup>

It is interesting that the attitudes of those members of the Congress who were (among others) instrumental in enacting the Conte-Long and Symington amendments should be so mixed. Senator Fulbright, on the one hand was unhappy that the administration should plan to weaken the restraining legislation, while Congressman Passman, on the other hand, was himself planning to delete at least the Conte-Long amendments at his next opportunity. The attitudes of Congressmen Conte and Long reflected their arguments given in the hearings and the floor debates, but that of Senator Symington resembled more

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<sup>10/</sup> Katzenbach, "Memorandum For The President," Tab A.





the reaction of a petulant child who had gotten his way (and demonstrated his influence) and no longer cared to be bothered with the issue. It was clear from his statement, however, that the peculiar disclosure policy which the administration had followed in regard to informing members of the Congress about arms sales (that is, they were told little or nothing) had caused the enactment of at least one piece of restraining legislation.

Having completed exploratory conversations with the appropriate members of the Congress, the administration then drafted its operating procedures for the application of the Conte-Long amendments to arms sales. The Political-Military Group of the State Department (later known as the Bureau of Politico-Military Affairs) was charged with interagency coordination of the executive branch response to these amendments and, by March 21, 1968, had established "Conte-Long procedures" which were agreed to by all of the executive departments and agencies concerned. (These were: the Agency for International Development, the International Security Affairs Branch of the Defense Department, the Office of the Joint Chiefs of Staff, the Bureau of the Budget, and the Arms Control and Disarmament Agency.) Another effect of the new restraining legislation seems to have been a heightened awareness on the parts of those departments and agencies of the role in coordinated decision making which they were responsible to play. If actual machinery had not previously existed (or had simply not been used) for complete interdepartmental participation in arms sales





decisions, the necessity of coping with the Conte-Long amendments forced the baptism of that degree of organizational confluence.

The agreed operating procedures for application of the Conte-Long amendments were designed to assure that:

- (a) cases for which Conte-Long provisions apply or which require a waiver are handled in an orderly and consistent way and are properly recorded; and
- (b) economic and military assistance actions, and government and commercial munitions sales, which are not prohibited or otherwise affected by the Conte-Long Amendments proceed smoothly but with full regard for the Amendments.<sup>11</sup>

The State Department memorandum which published the procedures acknowledged that the term "sophisticated weapons systems" had not been fully defined and, therefore, a "warning list" was provided which indicated the types of military equipment which was thought to require Conte-Long review. This list included: all fighter, fighter-bomber, and bomber jet aircraft; long range jet and turbo-prop transport aircraft; modern destroyers and submarines; all missile systems except for short range unguided rockets and recoilless type weapons; military radar systems (excluding surveillance, navigational, and air traffic control types); and self-propelled artillery and tanks.<sup>12</sup>

The operating procedures were as follows:

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<sup>11/</sup> Arthur D. Foley, Staff Director, Political - Military Group, Department of State, memorandum entitled "Conte-Long Procedures," dated March 21, 1968, on file in the Department of State.

<sup>12/</sup> Ibid.



1. The warning list was circulated to intelligence collection agencies and to embassies who were asked to report information on possible sales or purchases of relevant military equipment from third countries. This information was to include the type and source of equipment, the terms of purchase, and the timing of possible expenditures during fiscal year 1968 "and subsequently." The Bureau for Program and Policy Coordination of the Agency for International Development was tasked with collating "information on possible arms sales and purchases to identify countries which require continuing attention and possible review of economic assistance;" the interested IRGs Interdepartmental Regional Groups would be kept informed of countries so identified.

2. Countries which had not been identified as requiring special attention would be continued to be furnished with economic assistance "in the normal course." All new economic commitments for project assistance over \$10 million and program assistance over \$5 million would be screened for Conte-Long applicability. Upon notice of an actual or potential "sophisticated weapons system" problem for a country, the Agency for International Development would be responsible "for assuring that adequate provision is made for a deduction which may be required . . . in the absence of either (a) a favorable resolution of the "sophisticated weapons system" issue, or (b) a Presidential waiver."

3. The Office of Munitions Control within the State Department, in processing export license applications, would screen for Conte-Long applications which would require special review.

4. The Office of the Secretary of Defense (International Security Affairs) or any other office which initiated action for military grant or credit assistance would "ascertain whether the articles in question fall outside the warning list" and so note in all documentation.

5. "To insure consistency in interpretation and decisions," the Political-Military Group would clear all determinations relating to the applicability of the Conte-Long amendments to items on the warning list. The Group would also maintain records of relevant decisions on interpretation and refinement of the warning list.

6. Decisions as to whether or not military equipment included on the warning list was to be considered "sophisticated" in the context of aid or sales to any particular country would be



made at the IRG level. A decision would then be made at the same level as to whether to refuse a U.S. military grant or sale, deny an export license for commercial sale, or reduce economic assistance. Alternatively, the IRG could recommend a Presidential waiver in cases where it considered "such purchase or acquisition of weapons systems vital to the national security of the United States."

7. Formal review of Conte-Long issues would "in general" proceed in the framework of the IRGs with the Political-Military Group kept informed and special advice provided by the Group as required. In event of disagreement as to the applicability of Conte-Long, the matter would be referred to the Deputy Under Secretary of State for Political Affairs to determine whether the problem could be resolved informally at that level. If not, or if it appeared that penalties might have to be invoked or a waiver sought, the case would proceed to the Senior Interdepartmental Group level.

8. Determinations that economic aid programs should be reduced as penalty for the purchase of "sophisticated weapons" would call for prompt review of ongoing military grants and sales for the country concerned.<sup>13</sup>

Executive branch response to the operational restraints (including both the Conte-Long amendments) was timely, except for the delay of one year in complying with the \$75 million ceiling on military grants and sales to Latin America. In less than three months after the passage of the appropriating legislation for economic and military assistance the organs of the executive branch were prepared to reconcile their programs with the desires of the Congress -- albeit the administration was planning to press the Congress to lift the restraints in the following year.

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<sup>13/</sup> Foley, "Conte-Long Procedures," The wording of these procedures has been paraphrased here for brevity.







## EXECUTIVE RESPONSE TO ADMINISTRATIVE RESTRAINT

For bureaucratic reasons the administration had found it simpler to handle the Conte-Long amendments as one, as we have seen. The reports which were required by the restraining legislation -- of the President and the Secretary of State -- posed no serious difficulty, Aside from increasing the workload within the cognizant offices, the reports helped the administration by implementing its promise to provide the Congress with more complete and timely disclosure of the magnitude and detail of arms transfers.

### Response to the Symington Amendment

The remaining administrative restraint was that paragraph of the Foreign Assistance Act of 1967 which had come to be known as the Symington amendment. This required the President to monitor "unnecessary military expenditures" on the part of the recipients of United States foreign assistance in order to detect any "diversion of resources." The penalty of loss of all assistance would be invoked against any recipient country found guilty of such diversion. This amendment was a restraint on the Military Assistance Program only in that it would forestall the sale of weapons and military equipment by the International Logistics Negotiations Office to certain countries whose purchase might be considered "unnecessary" or whose resources might be judged to have been "diverted." Because these considerations



and judgements were inherently as much economic as military in nature, the task of devising decision making procedures was assigned to the Bureau of Program and Policy Coordination (PPC) of the Agency for International Development.

By March 8, 1968, the PPC had formulated a system for arriving at decisions which would implement the Symington amendment, and had won approval of the system by an ad hoc Interagency Symington Committee (which included representatives of the Joint Chiefs of Staff, the International Security Affairs Branch of the Defense Department, the Bureau of the Budget, the Political-Military Group of the State Department, the Treasury and Agriculture Departments, the White House, and the Arms Control and Disarmament Agency). The system consisted of a screening analysis (to be undertaken primarily by AID, but with step-by-step consultation with the rest of the Interagency Symington Committee); the purpose of which was to identify those countries which were likely "suspects" under the terms of the amendments, and a review and recommendation process.

The screening analysis was structured as follows:

1. All countries which were recipients (or which were likely to become recipients) of United States economic assistance or of food deliveries under Public Law 480 (Food for Peace) were to be divided into regional areas -- Latin America, North Africa and Middle East, "rest of Near East, South Asia and East Asia," and the "rest of Africa."



2. Each country was considered in relation to its regional context according to three indicators:

a. Whether the country's "defense share" (defined in terms of defense expenditures as a percentage of total government and total public expenditures and in terms of foreign exchange expenditures for military equipment as a percentage of total imports) was high relative to the average for its region.

b. Whether the country's "defense share" was rising significantly over time.

c. Whether the country was making substantial acquisitions of major military investment items.

3. Those countries with high or significantly rising "defense shares" and/or those making substantial military acquisitions were identified as "problem" or "amber-light" countries. The remaining countries were considered as "green-light" or non-related to the Symington amendment.

4. AID then prepared an analysis on each "amber-light" country, determining (a) whether the country's "defense share" was materially interfering with its development progress, and, if so, (b) whether the country's "defense share" could reasonably be judged necessary.

5. "Amber-light" analyses were then submitted to a permanent Interagency Committee to Advise on Economic-Military Matters (whose membership was the same as the Interagency Symington Committee).





This committee would recommend to the Administrator of AID one of three courses of action:

- a. Transferring a country from the "amber-light" list to the "green-light" list.
- b. Terminating United States aid.
- c. Taking "intermediate actions to use U. S. influence to restrain defense expenditures."

The decisions made by the Administrator for AID were subject to final review by the Senior Interdepartmental Group.<sup>14</sup>

This whole procedure in response to the Symington amendment was established as an annual exercise and integrated with economic and military assistance budget planning. Whether or not Senator Symington was, himself, "terribly concerned" about the decisions which would be made through this procedure, the process was nonetheless thorough and responsive to the Senator's expressed desires.

#### SUMMARY OF RESPONSE

It is interesting to compare the executive response to the legislative restraints imposed on the Military Assistance Program by the 90th Congress with the first coherent recommendations for restraint

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<sup>14/</sup> This procedure is outlined in detail in: Paul G. Clark, Assistant Administrator for Program and Policy Coordination, Agency for International Development, memorandum entitled "Approved Symington Procedures and Criteria," dated March 14, 1968, on file in the Agency for International Development.





which were made by Dr. William Bader in his staff study. Dr. Bader had recommended more and better reports in the interest of full disclosure of military assistance matters. Such reports were now required by law and were duly submitted by the executive branch.

Dr. Bader had recommended a full accounting of the use of the Defense Department's revolving fund. The fund, itself, had now been abolished and the Defense Department was required by law to submit its arms sales plans in detail to the Congress in requesting its annual budget for foreign military sales.

Dr. Bader had recommended that the role of the Export - Import Bank in financing of arms sales be carefully examined by the Congress. The examination had been made and the Bank had been expressly forbidden by law to participate in credit sales to less developed countries (and the Foreign Military Sales Act ruled out Defense Department guaranties of any credit arms sales financed by the Bank).

Dr. Bader had recommended that the Congress consider making all military export credits and guaranties the subject of a simultaneous review with economic development loans. The Conte-Long and Symington decision making procedures which were established within the executive branch in March 1968 -- in response to the restraining legislation -- provided mechanisms for integrating the programs and philosophies of military and economic assistance and for insuring that decisions taken in behalf of one type of assistance would not run counter to the goals of the other type of assistance.



Dr. Bader had recommended that the Congress examine the decision making process of the arms sales program to determine whether the Arms Control and Disarmament Agency was meeting its responsibilities. That agency was now included in the deliberations leading to all Conte-Long and Symington determinations and was thus privy to all arms sales decisions.

Finally, Dr. Bader had recommended that the United States take the initiative in organizing regional conventional weapons "free zones." Strict executive adherence to the Conte-Long and Symington amendments would virtually rule out United States participation in supplying "sophisticated " conventional weapons to nearly any "underdeveloped" country and might succeed in discouraging the purchase of such weapons from sources other than the United States.

The Congress had certainly been responsive to Dr. Bader's recommendations and the executive branch had been responsive to the Congress. Unfortunately, the Department of State has refused the author's requests for specific information on cases wherein arms sales have been refused or aid withheld due to Conte-Long determinations or cases wherein countries have been identified as "amber-light" (and aid terminated) due to Symington determinations.<sup>15</sup> It is impossible to measure accurately, therefore, either the sincerity of the executive response to these restraining measures or the impact

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<sup>15/</sup> See Department of State letter, dated March 7, 1972, at Appendix Q.



which they had on the Military Assistance Program. One document, however, which was drawn up by the Director of the Military Assistance and Sales Office within the State Department's Political-Military Group is indicative of the attention which the administration paid to the restraints which the Congress had imposed on arms sales. Entitled "Justification of a Proposed Credit Sale," the document served as a guide in arms sales decision making and delineated departmental responsibilities for supporting information. Justification for each credit arms sale was to follow a certain format:

1. The Defense Department, "in consultation with Treasury and State," would provide the basic information on the terms of the proposed sale (rate of interest, repayment period, etc.) together with "a statement supporting the use of appropriated funds, as against alternative means of funding (cash, commercial financing)." Any concessionary terms, such as interest rates lower than the "current cost of money to the U.S.," had to be justified. Commitment of future year funds had to receive the concurrence of the Director of the Budget.

2. The Defense Department (again in consultation with the State Department) was required to justify the sale in terms of national security and to answer the following questions:

- a. Did the sale meet a military requirement derived from a U.S. approved force goal (found in the Joint Strategic Objectives Plan)?
- b. If not, did the sale meet a requirement related to a threat





recognized by the U. S. ?

c. Did the sale complement any existing grant military assistance program and did it take into account military assistance priorities?

d. Did the sale represent an important advance in weapons sophistication?

3. The Defense and State Departments were required to justify the sale in terms of foreign policy and to answer these questions:

a. How did the proposed sale support U. S. foreign policy objectives in the recipient country and in the regional area?

b. Would the sale affect the regional arms balance or contribute to an arms race?

c. Did the sale involve a sophisticated weapons system within the meaning of the Conte-Long amendments? If so, was the sale justified on the basis of U. S. national security and would a Presidential waiver be sought?

d. Was the recipient country "run by a military dictatorship which denied social progress?" (This related to a prohibition inserted in the Foreign Military Sales Act by Congressman Reuss.)

4. Finally, the State Department (AID) was required to provide economic justification for the sale and to answer these questions:

a. Was there a demonstrable financial need for credit assistance?

b. Was the country on the "green-light" list for Symington



purposes and would the sale change that status?

c. Would the proposed sale create a repayment obligation which would place an undesirable burden on the country's foreign exchange resources, produce excessive claims on future budgets, or otherwise materially interfere with its development?

d. What other arms purchases was the country making which would be relevant to the proposed sale?

e. How did the proposed sale relate to whatever U. S. economic aid program might be in progress within the recipient country?<sup>16</sup>

Provided that the executive branch actually undertook such rigorous justification for each credit arms sale, the goals expressed in Dr. Bader's recommendations and in the restraining legislation enacted by the Congress should certainly have been accomplished. Executive response to restraint of the Military Assistance Program appeared to be appropriate in nearly every respect. The passage of time would be required before it could be determined whether the restraining legislation was, itself, appropriate.

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<sup>16/</sup> C.A. Chapman, Director of Military Assistance and Sales, Political-Military Group, Department of State, memorandum entitled "Justification of a Proposed Credit Sale," dated February 18, 1969, on file in the Department of State.



## CHAPTER VIII

### ANALYSIS OF RESTRAINT OF THE MILITARY

#### ASSISTANCE PROGRAM

#### SUMMATION OF CONGRESSIONAL - EXECUTIVE INTERACTIONS

Examination of the evidence which has been presented indicates the following sequence of congressional-executive interactions incident to the imposition of restraints on the Military Assistance Program by the 90th Congress.

- The executive branch had, by the end of 1966, adapted its administrative procedures to accommodate a large and growing arms sales program. In order to reap the maximum benefits which might accrue from this program to the balance of payments, the Department of Defense had established a sales office under the direction of an energetic bureaucrat -- Mr. Henry Kuss. Given coequal status with the Director of Military Assistance and wide discretionary power in the negotiation of arms sales (and considerable encouragement from the Secretary of Defense), Mr. Kuss was instrumental in increasing the volume and variety of United States arms sales dramatically. In order to facilitate the success of his program, Mr. Kuss was provided with a revolving credit fund -- a fund which was periodically augmented



by congressional appropriations but which was not strictly exposed to regular congressional scrutiny. In addition, the lending facilities of the Export - Import Bank were incorporated by the Defense Department through a credit guarantee arrangement. Credit arms sales which were "politically sensitive" -- and nearly all sales to underdeveloped countries -- were accomplished with the Bank's financing but without its knowledge of the specifics of the sales (hence the sobriquet "country - X loans"). A function of the success of the arms sales program was its increased visibility. As it became more obvious it attracted attention not only to itself (and to its mechanics -- such as its use of the Export - Import Bank), but also to the Military Assistance Program as a whole and to the issue of national responsibility for the proliferation of conventional weapons throughout the world.

- The Congress, by the end of 1966, had only begun to become aware of the arms sales program and had not yet assessed its implications. During the previous year, the Senate Foreign Relations Committee had utilized its annual review of the Military Assistance Program (as a portion of foreign assistance) as an open -- and well publicized -- forum for criticism of the administration's involvement in Vietnam. This had established a base for the further exploitation of military assistance related issues. Eager for a test of congressional influence on United States foreign policy, the chairman (Senator Fulbright) and other influential members of the Foreign Relations





Committee were receptive to suggestions of executive vulnerability in the conduct and control of military assistance. Other factors, such as the opportunity costs of large scale military grant aid (the normal province of the Military Assistance Program) in terms of pressing domestic demands and the budget competition between the Vietnam war and all other programs contributed new congressional critics of military assistance. The time was propitious for an attack on the Military Assistance Program by the legislature -- the only requirement being the dissemination of a coherent plan demonstrating the program's most vulnerable sides and pointing out the most likely approaches for effective action. This plan was provided, in January 1967, by Dr. William Bader, a staff consultant for the Foreign Relations Committee. In his one-man staff study, entitled, Arms Sales and Foreign Policy, Dr. Bader brought to light the degree to which the Defense Department's arms sales program had prospered and explained the mechanics of the program's operation. Although he touched on several possibly undesirable aspects of the United States Government's promotion of arms sales -- such as the difficulty of reconciling such sales with a viable system of arms control and the impetus which the sales might give to competition in the world's arms markets -- Dr. Bader focused mainly on the question of whether or not the government's machinery for the management of the arms sales program was adequate. In his view, the evidence suggested that it was not. The staff study might have gone unnoticed had not Dr. Bader



served in the capacity of consultant to Senator Gore's Disarmament Subcommittee. In this role, he could, and did expose the tenets of his study to the heat of congressional inquiry. Senator McCarthy (a member of the Foreign Relations Committee) had already endorsed Dr. Bader's work via an article in The New York Times -- himself having written on the same subject in a similar vein the previous summer. The Gore subcommittee hearings demonstrated that the administration was, in fact, vulnerable along the lines suggested by Dr. Bader, and, with the apparent blessing of Senator Fulbright, Senator Symington enlisted in the promotion of further congressional examination of the arms sales program. Using the platform of his own subcommittee on Near Eastern and South Asian Affairs to conduct additional hearings, Senator Symington chose to employ Dr. Bader as his groups' consultant. The result was tantamount to an informal investigation of the administration's arms sales program, its management machinery, its decision making processes, and, indeed, its conduct of the whole Military Assistance Program.

- The executive branch, taken by surprise with Dr. Bader's critical analysis and with the attention given that analysis by the Congress, reacted with indignation (and, perhaps, with some embarrassment). Assistant Secretary of Defense McNaughton, the principle official under the Secretary of Defense responsible for the conduct of the Military Assistance Program and its arms sales component, aimed his testimony at rebutting Dr. Bader's arguments and set the tone for



the later testimony of other executive witnesses. Mr. McNaughton took the position that governmental machinery for the management of the arms sales program was appropriate to the foreign policy implications inherent in the arms sales themselves. The highest officials of the government were purported to be intimately involved in arms sales decision making and it was Mr. McNaughton's claim that each decision was the product of interdepartmental coordination. Unfortunately, the subsequent testimony of executive witnesses (including Mr. McNaughton, himself) conflicted with this position, as did correspondence with certain executive departments. The executive branch apparently did not coordinate the testimony of its officials in order to provide a united front to the Congress during these initial hearings. The net impression left with the Gore and Symington subcommittees was of a Military Assistance Program whose ramifications (such as the resale of U. S. equipment and the undesirable transfer of equipment to third countries) had not been seriously considered by its executive managers -- and of an arms sales program that had outgrown its administrative restraints. Dr. Bader, in his study, had recommended that the Congress exercise greater legislative oversight of the government's arms sales endeavors. The mixed response of the executive branch at this juncture virtually insured that this oversight would be forthcoming.

- The Congress, in its annual review of the authorizing and appropriating legislation for the Military Assistance Program (Part II of the Foreign Assistance Act) utilized the groundwork laid by the





Gore and Symington subcommittees and by Dr. Bader in framing a critical scrutiny of military assistance and arms sales. Congressman Conte, of the House Appropriations Committee, had long been critical of the provision of arms to underdeveloped countries. Having learned of Dr. Bader's study through "the mass media," he drew heavily on it in phrasing his own inquiry into the conduct of the Military Assistance Program.<sup>1</sup> The replies which he received from Secretary of Defense McNamara and his subordinates did nothing to persuade him of the propriety of the administration's program vis-a-vis those underdeveloped countries. Together with Congressman Long, Congressman Conte authored amendments to the appropriating legislation in restraint of the Military Assistance Program. Senators Church and Symington were likewise unimpressed with the executive branch presentation before the Senate Foreign Relations Committee and they authored restraining amendments to the authorizing legislation. Senator Fulbright assumed an intransigent role in support of that restraint against the much more lenient recommendations of the House Foreign Affairs Committee and forced its acceptance. By enacting restraint of the Military Assistance Program the Congress passed from the legislative oversight recommended by Dr. Bader to legislative control, and, in so doing, exercised its influence on that portion of foreign policy associated with the dispensation of arms.

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<sup>1</sup>/ Congressman Silvio O. Conte letter, dated April 27, 1972, found at Appendix R.



- The executive branch, seemingly unaware of, or at least unconcerned with the growing mood of the Congress to reassert its influence on foreign policy in general, and on military assistance in particular, took no coordinated action in behalf of its programs until mid-summer, 1967, when the use of Export - Import Bank facilities was directly challenged. Members of the House Banking and Currency Committee had been made aware of the Bank's involvement in country - X transactions by the staff of the Senate Foreign Relations Committee (who had shown them Dr. Bader's study). Hearings on the Bank Extension Act which had been completed were reopened in both the House and the Senate and were attended by the president of the Bank, closely supported by high ranking officials of the State, Defense, and Treasury Departments. Despite the united front established by these officials, the hearings only seemed to prove that the executive branch had obscured the actual workings of its arms sales program (at least, those with which the Export - Import Bank was connected) from the attention of many members of the Congress. The net result of these hearings was a loss of congressional trust in executive branch management of the arms sales program. The publicity given to congressional indignation over the administration's questionable disclosure policy served to increase tension between the two branches of the government. The executive branch coordination shown before the Banking and Currency Committees did not seem to extend beyond those hearings. The Secretary of Defense found himself apologizing before the Senate Foreign



Relations Committee for statements made the previous day by the Deputy Secretary of Defense before the Senate Banking and Currency Committee. Throughout all of the hearings held on the subject of military assistance in 1967 there seemed to be little evidence of the kind and degree of coordination in policy making which was said to exist by the executive branch -- and which the Congress had every right to expect should exist. The basic philosophy of the principal arms salesman, Mr. Kuss, was contradicted by his most important point of contact in the State Department, Mr. Kitchen, head of the Munitions Control Office and chairman of the State-Defense Coordinating Committee. The Director of Military Assistance, Vice Admiral Heinz would not, or could not, reconcile the goals of some of his programs with those of apparently counteracting programs controlled by the Administrator for the Agency for International Development. Faced with executive testimony which was in such obvious disarray the Congress might have been expected to draw the conclusion that the administration's management of the arms sales program, the military assistance program which encompassed it, and, perhaps, even the entire foreign assistance program was in similar disarray.

- The Congress, acting in response to internal pressures to reform the Military Assistance Program (as it had found the program to exist), enacted a variety of restraining legislation. Some of this legislation was straightforward -- as was the reduction in appropriated funds, the prohibition of Export - Import Bank participation in loans





to less developed countries, the termination of the Defense Department's guarantee authority and the abolition of the revolving fund. Other legislation was not straightforward -- rather, it was exceedingly difficult to administer, questionable in its logic, and potentially counterproductive to the ultimate goals of United States foreign assistance and foreign policy. Passage of the Conte-Long and Symington amendments (which will be critiqued later in this chapter), legislation of the latter description, might not have been possible, had the executive branch demonstrated a greater capacity for managing its programs in a more coherent way. As evidence accumulated which indicated that Dr. Bader was correct in his judgement that the government's management machinery was inadequate, certain members of the Congress (Conte, Long, and Symington, for instance) must have felt the time appropriate for making intrusions into the control of the Military Assistance Program.

- The executive branch, the testimony of whose officials had been unpersuasive, failed almost categorically in its efforts to forestall or even to moderate the restraining legislation. Secretary McNamara's "last appeal" before the Senate Appropriations Committee, despite the dramatic language in which it was couched, was futile because of that committee's lack of dynamic leadership and its traditionally weaker position in comparison with its counterpart in the House. The concerted attempt to restore the Defense Department's guarantee authority and revolving fund (made at the meeting in Senator Mansfield's





office) failed because the administration had never made clear its full plans for enlarging the arms sales program -- not even to those Senators who routinely supported the Military Assistance Program. In failing, this effort only served to alienate additional members of the Congress and to drain away even more of the reservoir of congressional good will which the Military Assistance Program had enjoyed for so many years. Finally, confronted with the enacted restraining legislation, the executive branch was forced to overhaul its management machinery. The newly devised "Conte-Long and Symington procedures" -- taken together with the existing IRG - SIG apparatus -- really provided for no more intensive military-economic analysis and no more widely coordinated decision making than that which the executive branch had protested was already in existence. The new procedures did, however, insure a certain amount of coordination with members of the Congress, if only to determine whether or not policy decisions were likely to attract renewed congressional censure.<sup>2</sup> By itself, this enforced awareness of congressional interest in the control of arms sales and the progress of the Military Assistance Program was an important achievement and illustrated a means by which the Congress could exert its influence directly on one implement

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<sup>2/</sup> Congressman Conte has indicated (in his letter at Appendix R) that he was approached "many times" by the executive branch as part of its arms sales decision making process.



of United States foreign policy. The other executive branch responses to the restraining legislation -- such as drawing down on "pipeline" funds to finance military assistance expenditures, and requesting new legislation (the Foreign Military Sales Act) to provide for some continued arms sales -- proved that the Military Assistance Program could sustain at least that much restraint without "disaster" and also proved that the administration was sufficiently flexible to adapt quickly to the imposed restraint without complete disruption of its large sales program.

These congressional-executive interactions ended clearly in a major success for the Congress. By restraining the Military Assistance Program across so wide a range of its endeavors, the Congress had shown itself capable of besting the executive branch in a test of wills over a dearly held executive program. Because this program was an important ingredient in United States foreign policy, the Congress -- by extension -- had also successfully tested its influence over that policy and demonstrated that it still maintained the power to have its wishes taken into account.

It should not be concluded, however, that on the basis of this one test the Congress is always likely to score so successfully against the executive branch. For, in this example, the administration had already so crippled itself that no amount of protests or convincing arguments could have protected the Military Assistance Program from restraint once the Congress had been made aware of its questionable



practices. By failing to establish a really adequate disclosure policy which would have kept the Congress better informed vis-a-vis changes in the nature of the Military Assistance Program and by so expanding the program that much of it no longer related to original (and accepted) rationale, the executive branch had made of its program an easy and almost indefensible target.

## EVIDENCE IN SUPPORT OF THE THESIS

The two-fold argument of this thesis, as stated in Chapter I, was that: the executive branch had deliberately obfuscated certain aspects of its Military Assistance Program and had disregarded congressional interests and opinions to such an extent that it had invited a test of influence and had so prejudiced its own case that the test could only result in legislative restraint; and, the executive branch had so expanded the Military Assistance Program that it no longer rested on the structural rationale which had originally supported it. Evidence in support of this thesis has been presented throughout the text in the manner thought to be the most coherent. It is collected below in order to clearly substantiate the thesis.

### Evidence Indicating Deliberate Obfuscation

The congressional hearings related to the Military Assistance Program which were conducted in 1967 disclosed two cases wherein the executive branch was obviously obscuring important facts which the





Congress was entitled to have. One case was the rearming of Pakistan. The other case was the participation of the Export - Import Bank in the financing of credit arms sales.

The rearming of Pakistan -- in the face of an embargo on arms to that country -- apparently took two forms; the first, being a covert channel through Iran for complete items of equipment such as jet aircraft and tanks; and the second, being the resumption of the delivery of spare parts for so-called lethal weapons already in the hands of the Pakistanis. Dr. Bader had noted the movement of F-86 jet fighters to Pakistan in his study and had prompted inquiry into that transaction by the Symington subcommittee. Mr. Kuss, the first administration witness asked about these aircraft replied that they had been made in Canada under United States license -- the inference being that it was Canada, therefore, which was responsible for any breach of the embargo. His later testimony indicated that the disposal of the F-86's was, in fact, covered by an end-use agreement which required the approval of the United States. The Deputy Assistant Secretary of State, Mr. Kitchen, testified that the approval function had been waived in this case upon acceptance by Canada of an Iranian bona fide that there would be no retransfer. But, testimony by Mr. Samuel Cummings, the president of the International Armament Corporation, indicated that the transshipment of the aircraft through Iran to Pakistan had been "common knowledge" in Europe. The West German Air Force, according to Mr. Cummings, had even provided pilots for the delivery of the F-86's.



The retransfer of the jet fighters was, it seems, only part of a considerable flow of weapons of United States origin from West Germany through Iran to Pakistan. If that flow was common knowledge in Europe, how did it escape the attention of those United States officials who were responsible for enforcing both end-use agreements in general and the arms embargo to Pakistan in particular? Once the F-86's had appeared in Pakistan it might have been expected that the United States Government would remonstrate with the Canadian and West German Governments -- and possibly the Iranian Government as well. According to Mr. Kitchen, there was no serious remonstrations. Dr. Bader produced evidence at the Symington subcommittee hearings which substantiated the testimony of Mr. Cummings -- to the effect that foreign private firms were negotiating the retransfer of weapons through Iran to Pakistan. When asked about this, Mr. Kuss at first pleaded ignorance, but then confirmed for the record the role of the West German Merex Corporation in the retransfer of the F-86's. The Deputy Assistant Secretary of Defense (for International Security Affairs), Mr. Townsend Hoopes, also professed ignorance of the activities of these firms, but later provided the subcommittee with information about the Levy Auto Parts Company (which was allegedly reselling American tanks) which was, unfortunately, deleted prior to publication of the hearings. It cannot be proven that the United States Government was encouraging the rearming of Pakistan through this covert channel, but if it was not, certainly those executive officials who should have been the most knowledgeable about



the international arms trade and the disposal of weapons of United States origin were both poorly informed and incredibly naive since they took no action to prevent such weapons from reaching Pakistan.

The resumption of delivery of spare parts for lethal weapons which were already owned by the Pakistanis was not covert but was not strictly conspicuous either. The policy decision which included the resumption of cash sales of such spare parts also included other facets which contributed to an appearance of overall restraint in the provision of military support and equality in application to India and Pakistan. Under questioning by the Symington subcommittee, Mr. Hoopes admitted that the other facets of the policy really had little relevance to the current circumstances; the net effect of the policy being to provide Pakistan with a means of refurbishing its armed forces (the Indian armed forces being mostly equipped with weapons of non-United States origin). The executive branch was, of course, aware that its policy decision about spare parts would work to the benefit of Pakistan (knowing as it must certainly have the Pakistani order of battle), but Mr. Hoopes admitted this only reluctantly under questioning -- and the decision itself was couched in such a way as to camouflage this net effect, not only from the Indians (whom it might upset), but from the Congress of the United States. Whatever the real intention of the executive branch as to the rearming of Pakistan, it was clear that major foreign policy implications were either not being made known to the Congress, or -- much less likely -- were being





overlooked or ignored by the administration.

The case involving Export - Import Bank participation in the financing of credit arms sales showed a flagrant lapse of legitimate disclosure. Despite the fact that nearly 26 percent of the Bank's loan authorizations in fiscal year 1967 had gone to finance credit arms sales, the president of the Bank, Mr. Harold Linder, avoided all reference to that portion of the Bank's business when he originally appeared before the House and Senate Banking and Currency Committees in support of the Bank Extension Act. The Bank's annual report (as later hearings would show) omitted any mention of arms sales, either to developed or underdeveloped countries. When first asked about the Bank's authority to finance the sale of military equipment (during hearings conducted by Congressman Passman's subcommittee of the House Appropriations Committee), Mr. Linder admitted that he did not know of any specific authorization by the Congress for such activity. Dr. Bader had devoted considerable attention to this use of the Bank's facilities in his study and he had flagged the country - X loan arrangements which were steadily increasing. These arrangements were questionable on at least three counts: they provided for the commitment of some of the Bank's resources without any prior reference to the Congress; they entailed the exportation of weapons, which was something not envisioned when the Bank was established (and, hence, might be termed a "perversion" ); and they abetted international arms traffic, especially among underdeveloped countries. Members of the





Congress such as Senator Gore, Senator Ellender, and Congressman Conte were prepared to criticize this affiliation of the Bank with the Military Assistance Program on these and other counts. When Dr. Bader's study was shown to Congressman Widnall, a member of the House Banking and Currency Committee, the Congressman was sufficiently agitated to request that hearings be reopened on the subject of the Bank's activities. At these hearings, Mr. Linder claimed that there was, in fact, express authorization from the Congress for Bank participation in arms sales. The "authorization" which he cited (and which was later cited by other executive branch witnesses) was an oblique reference in a report of the House Foreign Affairs Committee, dated 1965. Although the actual law which governed the operation of the Export - Import Bank and the law which provided for the conduct of the Military Assistance Program (the Foreign Assistance Act of 1961) did not expressly forbid Bank participation in the financing of credit arms sales, neither did they authorize that participation in terms sufficiently clear for the members of the Congress to have been aware that they had permitted it. The evidence indicated that the executive branch simply read into the law the authorization which it wished to see there. The record of the hearings held in mid-July 1967 by the House and Senate Banking and Currency Committees clearly shows that the members of those committees had not been informed as to this utilization of the Bank's facilities. The president of the Bank protested that he had disclosed the Bank's participation in credit arms sales to the



chairmen of both of these committees on more than one occasion. However, under questioning, Mr. Linder admitted that, in the case of the House committee, the disclosure had been made to a previous chairman who was of advanced age and who, apparently, had not passed on the information. The current chairman, in an obvious effort to smooth over his membership's indignation, volunteered the admission that he did not know about the Bank's role in credit arms sales. Other executive branch witnesses protested that adequate disclosure had been made to other committees of the Congress, but members of those other committees (such as Senator Proxmire of the Senate Appropriations Committee, and Senator Fulbright, chairman of the Senate Foreign Relations Committee) -- and even the Senate Majority Leader, Senator Mansfield -- denied that they had ever been informed about this use of the Bank's lending powers. The president of the Bank took credit for his own testimony before Congressman Passman's subcommittee and for Assistant Secretary of Defense McNaughton's testimony before Senator Gore's subcommittee as evidence of willing disclosure. But the records of those subcommittee hearings show that neither testimony was given gratuitously and that neither testimony revealed the exact workings of the Bank's participation or the degree to which the Bank had become involved in financing credit arms sales. Ironically, Mr. Linder even resorted to citing Dr. Bader's study as evidence of appropriate disclosure.

Finally, all of the executive branch officials who testified on this



subject -- including Secretary of Defense McNamara -- admitted that there had been "a misunderstanding" or "an oversight" in regard to the lack of disclosure. The Secretary of Defense attributed the fault to "a lack of effective liaison." This was poor commentary on the efficiency of the large permanent congressional liaison staff which was maintained within the Department of Defense. In promising to rectify the previous lack of disclosure, most of the executive officials echoed the statement of the Under Secretary of the Treasury, Mr. Barr, who said, "We would like to repent for past sins." <sup>3</sup>

#### Evidence of Disregard of Congressional Interests

Aside from the fact that the executive branch had been less than thorough in informing the Congress as to its conduct of the Military Assistance Program, there is other evidence which indicated that the leaders in the administration and many of their subordinates were not willing to give due attention to the interests and opinions of members of the Congress. It could be argued that the whole procedure for financing credit arms sales without recourse to direct appropriations by the Congress -- a procedure characterized by several members of the Congress as "backdoor financing" -- was an example of blatant

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<sup>3/</sup> U.S. Congress, Senate, Export-Import Bank Participation and Financing in Credit Sales of Defense Articles, Hearing Before the Committee on Banking and Currency, 90th Congress, 1st session (Washington: U.S. Government Printing Office, 1967), p. 39.





disregard for the congressional responsibility to maintain some oversight of an important executive program. There were numerous other examples -- for instance:

- the gradual transfer of important (and controversial) programs from the military assistance budget to the defense budget.

- the initial refusal to provide information about country - X loans to the Congress (specifically, to Congressman Passman's subcommittee).

- Secretary McNamara's response to the budgetary concerns of Congressman Gross and the domestic social concerns of Senator Fulbright -- that is, by arguing that the fault was in the Congress.

- Secretary McNamara's dismissal of Congressman Passman's concern about "training-only" military assistance programs leading to deeper United States involvement -- by arguing that such had not been the trend during his term of office.

- Secretary Rusk's dismissal of Senator McCarthy's request for an opinion as to the responsibility of the Senate in arms sales decision making -- by setting aside the Senator's question and responding to another point altogether.

- Assistant Secretary McNaughton's (and others') claims that arms sales decisions were all made with the fullest coordination and with the direct supervision of the most senior executive officials -- when later evidence indicated that coordination had frequently been lacking and that senior supervision might have been limited to "major"



arms sales.

- Mr. Kuss' "flippant" testimony before Congressman Passman's subcommittee (as he, himself, had characterized it) and his lack of sensitivity to the reaction of his audience -- demonstrated by his giving an initial impression that "thousands" of arms salesmen were being given clearance to sell weapons abroad.

The congressional-executive interactions which have been traced through the year 1967 indicate the extent to which obfuscation on the part of the executive branch, coupled with its frequent disregard for the interests of the legislative branch, acted to spur the passage of restraining legislation. That passage might not have been effected, however, had every portion of the Military Assistance Program rested firmly on the relatively undisputed rationale which had originally given rise to military assistance.

#### Disassociation of the MAP From Its Rationale

The second argument of this thesis is that, by the end of 1966, the Military Assistance Program had been expanded to include some 58 countries, but so little attention had been given to the justification for that expansion that the executive branch could no longer rely upon solid congressional support for the assistance given to each country. The original rationale for the provision of military assistance (in the post World War II period) was the need to support free countries against communist military aggression. As the executive branch moved beyond



that rationale in enlisting new countries into the Military Assistance Program it gradually weakened congressional support until, by 1967, it was no longer possible to rally enough legislators to the aid of the program when it became threatened with restraint.

Throughout all of the hearings relating to the Military Assistance Program which were held in 1967 there was almost no criticism about those programs which supported the so-called forward defense countries. (Assistance to Greece and Turkey was questioned -- by Congressman Conte -- out of concern for their regional disputes. Assistance to Iran was questioned -- by Senator Symington -- out of concern in regard to the Iranian purchase of Soviet equipment.) The basic anti-communist rationale for military assistance -- both grant and sales -- was never really called into question. Neither was there criticism of military assistance provided to certain countries as quid pro quo for United States base rights. In fact, Congressman Conte, who had made an impassioned plea on the floor of the House against providing arms to Ethiopia (on the basis of that country's economic condition), later informed Under Secretary Katzenbach that he would support a waiver of the Conte-Long amendments in regard to Ethiopia because of the requirement for United States communications facilities in that country.

When the executive branch expanded the rationale of the Military Assistance Program to include "internal security" and began providing military assistance in return for local influence congressional support





for the program began to recede. Members of the Congress, such as Congressman Passman and Congressman Conte and Senator Fulbright and Senator McCarthy, were appropriately concerned with the economic progress of the underdeveloped countries. Items of military equipment provided (through grants or sales) to such countries in the interest of internal security would have to stand the scrutiny of those legislators. As sales replaced grants within the Military Assistance Program, and as the elements of buyers choice and opportunity cost entered the picture, the internal security justification for many items of military equipment became very tenuous.

The situation was similar in the case of military equipment distributed in the interest of obtaining local influence. While it may certainly have been true that military assistance could be used as a lever which might affect political decisions in recipient countries, there was never any insurance that the decisions would be favorable to the donor. The Indonesian communists who were slaughtered with weapons provided by China and the Soviet Union serve as one example. American fishing boats which are almost routinely seized on the high seas around South America by warships of United States origin serve as another example (although, fortunately, one less severe). Again, as sales replaced grants, the influence justification for military assistance was penalized -- this time by the mechanism of "preemptive selling. " Once the United States Government was committed to obtaining influence in a country or regional area through the provision of military assistance,





it was also committed to blocking other nations from competing for that influence. When countries were prepared to buy their military equipment the United States was faced with the necessity of either satisfying their requests or risking the loss of influence to another nation by default. A great deal of testimony was given by executive branch witnesses during 1967 to the effect that the United States more frequently refused requests than it fulfilled them, however, no real evidence of this was provided. The charge of preemptive selling was never really laid to rest.

Still another rationale for the provision of military assistance appeared "in embryo" during the hearings -- the concept of "balancing." If this new rationale had not almost immediately fallen into discredit -- due to the Arab-Israeli war -- it might have quickly taken its place alongside internal security and influence as blanket rationale for the inclusion of any nation whatever within the Military Assistance Program.

Congressmen and Senators who entertained doubts about the size or expense of the Military Assistance Program were probably reluctant to attack the program in terms of its application to the containment of communism or in terms of its purchase of required base rights abroad. These applications were always too closely allied with the national security of the United States to be seriously debatable. The extension of the Military Assistance Program, however, to cover many, many countries in the interest of internal security, influence, or even balancing, made the whole program vulnerable to challenge.



Congressman Conte could comfortably attack grants and sales made to Latin American countries (for internal security), which, in his opinion, competed with economic development. Congressman Passman could loudly question the grants and sales made to North African countries (for influence and balancing) which he felt were counterproductive with development efforts in those countries. Where the executive branch had acted upon weak rationale and could only defend its programs in terms of "military and economic vacuums" and "proximity" to strategic areas, those programs were successfully challenged -- and the efforts toward legislating restraint of the whole Military Assistance Program gained new momentum.

Given all the criticisms of the conduct, control, and effects of the Military Assistance Program which were aired in the Congress in 1967, and which ultimately resulted in a wide range of legislative restraint, it may be an oversimplification to attribute the enactment of that restraint to the two-fold argument demonstrated in this thesis. Other factors were certainly present which argued for restraint: concern with the growth of the military-industrial complex; revulsion at the thought of "blood money" earned from arms sales; abhorance of the responsibility for arms races and regional conflicts; the fear of irreversible involvement in foreign struggles; and, of course, the ever-present domestic demands for the use of American resources. All of these factors were mentioned from time to time in the hearings, on the floor of the House or of the Senate, and in the press. The



evidence indicates, however, that none of them had yet captured enough support to arouse the Congress in a movement to restrain the Military Assistance Program. It was not until the executive branch had inspired congressional indignation with a policy of obfuscation and an attitude of disregard -- and had, meanwhile, weakened the supporting rationale for military assistance -- that all of the factors which argued for restraint could locate a banner around which to assemble. It was only then that each of the proponents of restraint could be assured of a sympathetic audience in the Congress.

#### CRITIQUE OF THE LEGISLATION

Separate from the argument of this thesis, but important to the topic, is analysis of the legislation which the Congress used to impose restraint on the Military Assistance Program. Chapters VI and VII examined the structure of the legislation as it took form and as the executive branch responded to it. Some of the legislation -- such as the reduced budget appropriation, the termination of the guarantee authority, the abolition of the revolving fund, and the prohibition of Export - Import Bank participation in the financing of credit arms sales to less developed countries have already been analyzed in sufficient detail to allow the reader to judge their effects. Other portions of the legislation -- specifically, the Conte-Long and Symington amendments -- require additional commentary.





## Critique of the Conte-Long and Symington Amendments

Those amendments authored by Congressmen Conte and Long and by Senator Symington are critiqued apart from the rest of the legislation which acted to restrain the Military Assistance Program because they were different in several respects: they contained language that was vague and ill-defined; they called for actions vis-a-vis foreign countries which went beyond the giving or withholding of military assistance; and they stood in jeopardy of bringing on results counter-productive to the avowed goals of United States foreign policy.

The Conte-Long amendments denied sophisticated weapons to underdeveloped countries. Because both the terms "sophisticated" and "underdeveloped" are relative and have no fixed meaning the difficulty of administering these amendments might have been enormous. The executive branch, sensitive to the intent of the Congress to curb the Military Assistance Program, did not rely on the legislative history of the amendments for appropriate definitions, but resolved many of its questions concerning the application of the legislation by going directly to the authors of the amendments. This had the effect of incorporating at least some of the members of the Congress in the arms transfer decision making process.

The Symington amendment spoke of the diversion of an aid recipient's resources "to unnecessary military expenditures to a degree which materially interfered with its development." Once again,



"unnecessary military expenditures" is relative and has no fixed meaning. Moreover, the question of exactly at what degree such expenditures would "materially interfere" with development could only be one of judgement. Unlike Congressman Conte, who was obviously delighted to be consulted about the exact intent of his amendments, Senator Symington was "not terribly concerned" about the administration of his amendment, and, therefore, left the definitions and judgements up to the executive branch. As we have seen in Chapter VII, the Agency for International Development did design a procedure for abiding insofar as was possible with the intent of the amendment according to its legislative history.

The Conte-Long amendments, aside from denying sophisticated weapons to underdeveloped countries, called for the withholding of economic assistance in amounts equivalent to whatever such countries might spend for the purchase of sophisticated weapons from sources other than the United States. As Congressman Bingham pointed out to Congressman Conte during the floor debate on the latter's amendments, in order to administer this feature it would be necessary for the United States to ascertain exactly what military equipment was being purchased by all the underdeveloped countries who were recipients of United States assistance. (Possibly a difficult task for a government which claimed to have been unaware of the large scale retransfer of jet fighters and tanks to Pakistan -- but, given modern intelligence techniques, probably not completely beyond the capabilities of the



United States.) Further, due to the manner in which economic assistance was programed, invoking the required penalties would involve "de-obligating" expenditures agreed to in contractual arrangements which had already been entered into.

The Symington amendment likewise called for the termination of economic assistance as a penalty for the diversion of resources for military purposes. Again, in order to administrate this legislation appropriately, the United States would find it necessary to collect data from all countries which were recipients of United States assistance and would, should penalties be required, deprive the recipients of assistance which they had been led to expect they would receive.

The implementation of these amendments -- both those of Congressmen Conte and Long and that of Senator Symington -- would risk jeopardizing the goals of United States foreign policy in whatever country or regional area in which they were applied. Resentment and hostility toward the United States are hardly desirable attitudes to foster in foreign countries. The normal conduct of foreign policy avoids the encouragement of such attitudes. Indeed, in addition to the achievement of some economic development, it is the purpose of United States foreign assistance to promote attitudes of friendship and mutual esteem. Although there is probably no question that the United States could skillfully gather all the intelligence necessary to make the judgments required by these amendments without risking serious objections by the underdeveloped recipients of American assistance,





it is much less likely that penalties could be imposed without objections -- and without resentment and hostility. It is difficult to imagine that a recipient country would not consider the existence of these amendments as either a threat to its sovereignty or as a bribe in its conduct of its own policy. The exactment of penalties could hardly be expected to elicit gratitude or a spirit of cooperation. Congressman Conte has indicated (in his letter, at Appendix R) that penalties have, in fact, been exacted. Unfortunately, the details of nearly all such instances have been classified by the executive branch -- due, it would seem, to the sensitivities of the recipient countries involved. The Department of State has denied the release of information pertaining to penalty cases for use in this thesis (see the Department of State letter, at Appendix Q). -- therefore, complete analysis and thorough criticism of the Conte-Long and Symington amendments is impossible.

The first exactment of a penalty under the Conte-Long amendments was, however, fairly well documented. Under Secretary of State Katzenbach's "Memorandum for the President" mentioned that an AID loan to Peru had been held back. The New York Times of May 17, 1968, reported that \$37 million in AID funds already appropriated for both general budgetary support and for specific economic development projects in Peru had been withheld due to the purchase, by Peru, of 12 French MIRAGE supersonic jets.<sup>4</sup>

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4/ The New York Times, May 17, 1968





The representative government of Belaunde Terry was already beset with serious domestic problems; rapid inflation had caused currency devaluation and a general strike had nearly paralyzed commerce in 1967. President Belaunde Terry had claimed that he could not oppose his military chiefs when they demanded the jets be purchased.

Dissatisfied with the performance of the government, the military elite, led by General Juan Velasco Alvarado, seized power in October, 1968 -- thereafter, Peruvian relations with the United States deteriorated steadily. The junta government instituted rapid nationalization of American owned oil and copper enterprises and seized United States fishing boats on the high seas. In February 1969, military assistance sales to Peru were completely suspended by the United States. In response, all United States Military Missions were expelled by the junta. Only strenuous diplomatic efforts by the United States prevented a complete rupture of all relations with Peru. The devastating earthquake which Peru experienced on May 31, 1970, occasioned American emergency assistance of such magnitude that the trend of growing animosity between the United States and Peru was abruptly halted. During the two years which followed the first exactment of a penalty under the Conte-Long amendment, however, Peru was sufficiently disenchanted with the foreign policy of the United States to cause it to establish diplomatic and trade relations with the Soviet Union.

The Peruvian example indicates that, although application of the



Conte-Long amendments may not by itself cause a rupture of diplomatic relations, such application certainly does exacerbate situations wherein relations may already be somewhat strained. It would be imprudent to assume that the practice of extraordinary diplomacy or the chance happening of an act of God will always redeem a foreign policy which, by its nature, precipitates crises.

While Congressmen Conte and Long and Senator Symington certainly deserve credit for their recognition of the dilemma in providing military and economic assistance to underdeveloped countries and for their sincere desire to resolve that dilemma, the amendments which they authored may simply have replaced one unsatisfactory foreign policy arrangement with another. Only time will indicate whether their solution is an improvement.



# APPENDIX A

## PERCENT OF FOREIGN ASSISTANCE PROGRAM 1950-1967 REPRESENTED BY MILITARY ASSISTANCE (\$ Millions)

| Fiscal Year | Total Foreign Assistance Program | Economic Assistance   | Military Assistance   | % of Program for Military Assistance |
|-------------|----------------------------------|-----------------------|-----------------------|--------------------------------------|
| 1950        | \$ 5,042.4                       | \$ 3,728.4            | \$ 1,314.0            | 26.1                                 |
| 1951        | 7,485.0                          | 2,262.5               | 5,222.5               | 69.8                                 |
| 1952        | 7,284.4                          | 1,540.4               | 5,744.0               | 78.9                                 |
| 1953        | 6,001.9                          | 1,782.1               | 4,219.8               | 70.3                                 |
| 1954        | 4,531.5                          | 1,301.5               | 3,230.0               | 71.3                                 |
| 1955        | 2,781.5                          | 1,588.8               | 1,192.7               | 42.9                                 |
| 1956        | 2,703.3                          | 1,681.1               | 1,022.2               | 37.8                                 |
| 1957        | 3,766.6                          | 1,749.1               | 2,017.5               | 53.6                                 |
| 1958        | 2,768.9                          | 1,428.9               | 1,340.0               | 48.4                                 |
| 1959        | 3,448.1                          | 1,933.1               | 1,515.0               | 43.9                                 |
| 1960        | 3,225.8                          | 1,925.8               | 1,300.0               | 40.3                                 |
| 1961        | 4,431.4                          | 2,631.4               | 1,800.0               | 40.6                                 |
| 1962        | 3,914.6                          | 2,314.6               | 1,600.0               | 40.9                                 |
| 1963        | 3,928.9                          | 2,603.9 <sup>1/</sup> | 1,325.0               | 33.7                                 |
| 1964        | 3,000.0                          | 2,000.0               | 1,000.0               | 33.3                                 |
| 1965        | 3,325.0                          | 2,195.0               | 1,130.0 <sup>2/</sup> | 34.0                                 |
| 1966        | 3,933.0                          | 2,463.0               | 1,470.0 <sup>2/</sup> | 37.4                                 |
| TOTAL       | \$71,572.3                       | \$35,129.6            | \$36,442.7            | 50.9                                 |
| 1967        | 3,386.0                          | 2,469.0               | 917.0                 | 27.1                                 |

<sup>1/</sup> Includes \$30.0 million appropriated for Investment Guarantee Program.

<sup>2/</sup> Includes Section 510 "Special Authority" as follows: FY 1965 - \$75.0 million  
FY 1966 - \$300.0 million.

Source: U.S. Department of Defense, Military Assistance Facts,  
(Washington: US Government Printing Office, 1966).





## APPENDIX B

### FUNCTIONS AND DUTIES OF A MAAG IN A COUNTRY RECEIVING MILITARY GRANT ASSISTANCE

Military Assistance Advisory Groups in countries receiving military grant assistance perform the following functions:

- a. Represent the Department of Defense with the government to which they are accredited, maintain the U.S. Military presence, and establish a relationship of mutual trust and confidence with the Ministry of Defense and the armed forces of that country.
- b. Make recommendations concerning military assistance in their respective countries to the Commander of the Unified Command concerned.
- c. Develop military assistance plans and programs in cooperation with the Chief of the U.S. Diplomatic Mission and other elements of the Country Team and submit them to the Commander of the Unified Command concerned.
- d. Observe and report on the utilization of material furnished by and personnel trained by the U.S.
- e. When directed by appropriate authority, cooperate with representatives of specified U.S. firms in furthering sales of U.S.-produced military equipment to meet valid country requirements.
- f. Provide appropriate advisory services and technical assistance to recipient countries on military assistance, including training assistance and military assistance purchases.
- g. Work directly with the Military Departments and appropriate military area commands in arranging for receipt and transfer of military assistance materiel, training, and services to recipient nations.
- h. Provide liaison with the country involved with respect to weapons production and residual offshore procurement matters.
- i. With regard to the host countries' implementation of that portion of its military program financed by other U.S. agencies with U.S.-owned local currency, develop and execute a program of review and observation to serve as a basis for rendering an appropriate report to the Chief of the U.S. Diplomatic Mission and the Chief, U.S. Agency for International Development Mission.
- j. When appropriate, act as channel of communication for the Director for Defense Research and Engineering keeping Unified Commands informed regarding research and development matters between the U.S. and the government to which they are accredited. Act as channel of communication for the ASD(I&L) regarding production and other logistic matters between the U.S. and the government to which they are accredited.
- k. Provide the point of contact for the exchange of information on forces, budgets, weapons and capabilities as required.
- l. Assist Commanders of Unified Commands in planning for possible U.S. support of country wartime logistic requirements.
- m. Provide liaison with the country to which accredited with respect to any other military assistance requirements or logistics matters of the DOD and perform such other functions as may be required under Foreign Assistance legislation.

Source: U.S. Congress, House of Representatives, Foreign Assistance Act of 1967, Hearings Before the Committee on Foreign Affairs, 90th Congress, 1st session (Washington: U.S. Government Printing Office, 1967).



## APPENDIX C

### **U.S. Arms Sales, Grants — 1952-69**

(in millions of dollars)

| <b>Fiscal 1952-61</b>   | <b>Grants</b>   | <b>Sales</b>    | <b>Total</b>    |
|-------------------------|-----------------|-----------------|-----------------|
| 1952                    | \$ 4,440        | \$ 532          | \$ 4,972        |
| 1953                    | 1,965           | 230             | 2,195           |
| 1954                    | 1,323           | 82              | 1,405           |
| 1955                    | 2,556           | 98              | 2,654           |
| 1956                    | 657             | 174             | 831             |
| 1957                    | 1,283           | 663             | 1,946           |
| 1958                    | 1,381           | 340             | 1,721           |
| 1959                    | 1,318           | 853             | 2,171           |
| 1960                    | 1,034           | 963             | 1,997           |
| 1961                    | <u>1,450</u>    | <u>630</u>      | <u>2,080</u>    |
| <b>Ten-year total</b>   | <b>\$17,407</b> | <b>\$4,565</b>  | <b>\$21,972</b> |
| <b>Fiscal 1962-69</b>   |                 |                 |                 |
| 1962                    | 1,314           | 1,485           | 2,799           |
| 1963                    | 958             | 1,483           | 2,441           |
| 1964                    | 728             | 1,260           | 1,988           |
| 1965                    | 721             | 1,766           | 2,487           |
| 1966                    | 695             | 1,793           | 2,493           |
| 1967*                   | 541             | 1,946           | 2,487           |
| 1968*                   | 400             | 1,929           | 2,329           |
| 1969*                   | <u>390</u>      | <u>1,530</u>    | <u>1,920</u>    |
| <b>Eight-year total</b> | <b>\$5,747</b>  | <b>\$13,197</b> | <b>\$18,944</b> |

\*1967 figure was preliminary; 1968 and 1969 figures were Committee estimates.  
For related figures, see story p. 21.

SOURCE: House Foreign Affairs Committee



# APPENDIX D

## MILITARY ASSISTANCE PROGRAM DELIVERIES /EXPENDITURES, BY FISCAL YEARS

(Dollars in Millions)

| Country                           | FY 1950 - 1964  | FY 1965      | FY 1966      | FY 1967      | FY 1968      | FY 1969      | FY 1970      | FY 1950 - 1970  |
|-----------------------------------|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------------|
| <b>East Asia</b>                  |                 |              |              |              |              |              |              |                 |
| Cambodia                          | 86.8            | .3           | -            | -            | -            | -            | 4.8          | 91.9            |
| China, Rep of                     | 2,088.4         | 84.8         | 76.5         | 70.4         | 115.0        | 55.3         | 37.9         | 2,528.2         |
| Indochina                         | 709.6           | -            | -            | -            | -            | -            | -            | 709.6           |
| Indonesia                         | 60.4            | 2.1          | .7           | .7           | 3.1          | 3.8          | 4.0          | 74.7            |
| Japan                             | 790.7           | 29.6         | 1.2          | 29.1         | 3.6          | .3           | .6           | 855.1           |
| Korea                             | 1,830.6         | 173.1        | 153.1        | 149.8        | 197.4        | 210.0        | 216.3        | 2,930.3         |
| Malaysia                          | -               | *            | .2           | .2           | .2           | .2           | .2           | 1.0             |
| Philippines                       | 279.1           | 18.2         | 26.0         | 21.0         | 29.1         | 18.8         | 15.7         | 408.0           |
| Thailand                          | 467.7           | 36.4         | 40.8         | 44.0         | -            | -            | -            | 588.8           |
| Vietnam                           | 1,031.8         | 274.7        | 169.9        | -            | -            | -            | -            | 1,476.3         |
| Regional Costs **                 | 434.9           | 59.2         | 68.3         | 82.9         | 3.1          | 2.6          | 2.4          | 653.4           |
| <b>East Asia Total</b>            | <b>7,779.9</b>  | <b>678.4</b> | <b>536.6</b> | <b>398.2</b> | <b>351.5</b> | <b>291.0</b> | <b>281.8</b> | <b>10,317.4</b> |
| <b>Near East &amp; South Asia</b> |                 |              |              |              |              |              |              |                 |
| Afghanistan                       | 2.8             | .1           | .2           | .1           | .3           | .3           | .2           | 4.0             |
| Ceylon                            | -               | -            | -            | -            | *            | .1           | .1           | .2              |
| Greece                            | 1,128.1         | 104.0        | 78.7         | 44.0         | 45.0         | 56.2         | 30.2         | 1,466.2         |
| India                             | Δ               | Δ            | Δ            | 2.1          | .2           | 1.0          | .7           | Δ               |
| Iran                              | 583.4           | 49.9         | 41.1         | 41.1         | 38.7         | 50.9         | 15.2         | 820.3           |
| Iraq                              | 46.2            | .2           | .2           | .1           | *            | -            | -            | 46.7            |
| Jordan                            | 28.7            | 4.6          | 2.8          | 11.9         | 2.1          | 1.8          | 1.0          | 52.9            |
| Lebanon                           | 8.5             | .1           | .1           | .1           | .1           | .1           | .1           | 9.0             |
| Nepal                             | Δ               | Δ            | Δ            | .5           | .5           | .2           | *            | Δ               |
| Pakistan                          | Δ               | Δ            | Δ            | *            | .1           | .1           | .2           | Δ               |
| Saudi Arabia                      | 29.9            | .8           | 1.5          | .8           | 1.0          | .6           | .5           | 35.1            |
| Syria                             | *               | *            | *            | *            | *            | -            | -            | .1              |
| Turkey                            | 2,095.7         | 118.4        | 100.5        | 118.5        | 130.9        | 108.8        | 116.6        | 2,789.3         |
| Yemen                             | -               | *            | -            | -            | -            | -            | -            | *               |
| Regional Costs **                 | 711.8           | 62.1         | 6.6          | .2           | .1           | *            | -            | 786.4           |
| <b>NESA Total</b>                 | <b>4,635.0</b>  | <b>340.4</b> | <b>231.6</b> | <b>219.4</b> | <b>219.1</b> | <b>220.2</b> | <b>164.6</b> | <b>6,030.2</b>  |
| <b>Europe</b>                     |                 |              |              |              |              |              |              |                 |
| Austria                           | 97.1            | .3           | *            | *            | *            | *            | *            | 97.5            |
| Belgium                           | 1,229.2         | 4.8          | 1.6          | .1           | 1.9          | *            | -            | 1,237.6         |
| Denmark                           | 542.1           | 48.1         | 20.1         | 7.5          | -            | -            | -            | 617.9           |
| France                            | 4,149.7         | 3.4          | -            | -            | -            | -            | -            | 4,153.1         |
| Germany                           | 900.7           | .1           | -            | -            | -            | -            | -            | 900.8           |
| Italy                             | 2,200.0         | 81.6         | 3.2          | 5.5          | -            | -            | -            | 2,290.2         |
| Luxembourg                        | 8.2             | -            | -            | -            | -            | -            | -            | 8.2             |
| Netherlands                       | 1,164.4         | 49.7         | *            | 2.8          | -            | -            | -            | 1,217.0         |
| Norway                            | 742.2           | 35.3         | 42.8         | 32.6         | 24.2         | 11.0         | .3           | 858.4           |
| Portugal                          | 299.4           | 7.5          | 1.5          | 2.2          | 3.2          | 2.7          | 1.3          | 317.9           |
| Spain                             | 456.5           | 40.6         | 35.5         | 8.0          | 11.8         | 15.0         | 10.9         | 578.3           |
| United Kingdom                    | 1,034.3         | .2           | -            | -            | -            | -            | -            | 1,034.5         |
| Yugoslavia                        | 693.9           | -            | -            | -            | -            | -            | -            | 693.9           |
| Regional Costs**                  | 201.7           | 3.6          | 1.4          | .9           | 1.1          | 2.0          | .3           | 211.1           |
| <b>Europe Total</b>               | <b>13,719.5</b> | <b>275.3</b> | <b>106.1</b> | <b>59.6</b>  | <b>42.3</b>  | <b>30.8</b>  | <b>12.8</b>  | <b>14,246.3</b> |

Note: Totals may not add due to rounding.

\* Less than \$50,000.

( ) Indicates negative amounts.

\*\* Includes classified data.

Δ Indicates classified data.

Source: U.S. Department of Defense, Military Assistance and Foreign Military Sales Facts, (Washington: US Government Printing Office, 1971)



## MILITARY ASSISTANCE PROGRAM DELIVERIES/EXPENDITURES BY FISCAL YEARS (Continued)

(Dollars in Millions)

| Country                    | FY 1950 - 1964  | FY 1965        | FY 1966        | FY 1967      | FY 1968      | FY 1969       | FY 1970      | FY 1950 - 1970  |
|----------------------------|-----------------|----------------|----------------|--------------|--------------|---------------|--------------|-----------------|
| <b>Africa</b>              |                 |                |                |              |              |               |              |                 |
| Cameroon                   | .2              | -              | -              | -            | -            | -             | -            | .2              |
| Congo                      | 5.1             | 2.3            | 3.6            | 5.1          | 3.8          | 2.1           | 3.1          | 25.0            |
| Dahomey                    | .1              | -              | -              | -            | -            | -             | -            | .1              |
| Ethiopia                   | 72.6            | 8.3            | 10.8           | 8.9          | 17.4         | 11.4          | 11.2         | 140.6           |
| Ghana                      | *               | -              | -              | -            | *            | *             | .1           | .2              |
| Guinea                     | -               | *              | .7             | .2           | -            | -             | -            | .9              |
| Ivory Coast                | .1              | -              | -              | -            | -            | -             | -            | .1              |
| Liberia                    | 2.7             | .5             | .5             | 1.3          | 1.1          | .7            | .4           | 7.1             |
| Libya                      | 6.0             | 2.2            | 1.7            | 2.6          | 1.6          | 1.3           | .3           | 15.5            |
| Mali                       | 1.1             | .5             | .5             | .7           | -            | -             | *            | 2.8             |
| Morocco                    | 16.1            | 2.3            | 3.1            | 5.2          | 6.6          | 2.0           | 1.2          | 36.5            |
| Niger                      | .1              | -              | -              | -            | -            | -             | -            | .1              |
| Nigeria                    | .2              | .3             | .4             | .2           | .2           | *             | *            | 1.2             |
| Senegal                    | 2.2             | .1             | .1             | .1           | .2           | .1            | *            | 2.8             |
| Sudan                      | .1              | *              | .3             | .3           | *            | -             | -            | .7              |
| Tunisia                    | 14.2            | .9             | .6             | .7           | 1.7          | 3.6           | 5.4          | 27.1            |
| Upper Volta                | .1              | *              | *              | -            | -            | -             | -            | .1              |
| Regional Costs             | -               | -              | -              | -            | *            | .1            | *            | .1              |
| <b>Africa Total</b>        | <b>120.7</b>    | <b>17.3</b>    | <b>22.2</b>    | <b>25.2</b>  | <b>32.6</b>  | <b>21.3</b>   | <b>21.8</b>  | <b>261.0</b>    |
| <b>Latin America</b>       |                 |                |                |              |              |               |              |                 |
| Argentina                  | 4.3             | 6.0            | 6.4            | 6.8          | 10.9         | 5.8           | 2.4          | 42.6            |
| Bolivia                    | 8.6             | 1.9            | 2.4            | 2.8          | 3.5          | 1.6           | 1.2          | 22.2            |
| Brazil                     | 159.7           | 11.4           | 9.5            | 13.4         | 12.6         | 6.6           | 4.3          | 217.7           |
| Chile                      | 59.8            | 6.3            | 8.4            | 4.8          | 7.5          | 2.7           | 2.0          | 91.4            |
| Colombia                   | 45.6            | 5.7            | 8.3            | 7.9          | 12.2         | 6.7           | 3.9          | 90.4            |
| Costa Rica                 | 1.3             | .2             | .1             | .1           | .1           | -             | -            | 1.8             |
| Cuba                       | 10.6            | -              | -              | -            | -            | -             | -            | 10.6            |
| Dominican Republic         | 9.7             | 1.2            | 1.6            | 3.4          | 2.3          | 2.2           | 2.1          | 22.7            |
| Ecuador                    | 24.8            | 2.3            | 3.9            | 3.1          | 2.8          | 2.0           | 2.0          | 41.0            |
| El Salvador                | 2.6             | .8             | .7             | .6           | .6           | .3            | .2           | 5.9             |
| Guatemala                  | 6.7             | 1.5            | 1.2            | 1.4          | 2.3          | 1.1           | 2.0          | 16.2            |
| Haiti                      | 3.2             | -              | -              | -            | -            | -             | -            | 3.2             |
| Honduras                   | 3.0             | .7             | .7             | 1.0          | 1.0          | .6            | .3           | 7.3             |
| Jamaica                    | .2              | .4             | -              | .3           | .3           | -             | -            | 1.1             |
| Mexico                     | .9              | .2             | .2             | .2           | .1           | .1            | .1           | 1.8             |
| Nicaragua                  | 5.7             | 1.2            | 1.0            | 1.0          | 1.3          | .7            | 1.1          | 12.0            |
| Panama                     | 1.2             | .2             | .4             | .5           | .3           | .4            | .4           | 3.4             |
| Paraguay                   | 2.1             | .9             | 1.0            | 1.1          | 1.8          | 1.0           | .8           | 8.7             |
| Peru                       | 51.1            | 8.2            | 7.3            | 6.6          | 8.7          | 2.9           | 1.9          | 86.7            |
| Uruguay                    | 29.3            | 2.4            | 2.5            | 1.6          | 2.0          | 1.6           | 1.7          | 41.1            |
| Venezuela                  | 3.1             | 1.3            | 1.0            | 1.0          | 1.3          | .9            | .8           | 9.3             |
| Regional Costs             | 7.5             | 3.0            | 1.8            | 1.3          | 1.0          | .6            | .2           | 15.3            |
| <b>Latin America Total</b> | <b>440.9</b>    | <b>55.9</b>    | <b>58.4</b>    | <b>59.1</b>  | <b>72.8</b>  | <b>37.9</b>   | <b>27.4</b>  | <b>752.4</b>    |
| <b>Non-Regional</b>        | <b>2,734.5</b>  | <b>(131.6)</b> | <b>107.4</b>   | <b>52.1</b>  | <b>.5</b>    | <b>(11.6)</b> | <b>13.1</b>  | <b>2,764.5</b>  |
| <b>Grand Total</b>         | <b>29,430.5</b> | <b>1,235.7</b> | <b>1,062.4</b> | <b>813.5</b> | <b>718.7</b> | <b>589.4</b>  | <b>521.6</b> | <b>34,371.7</b> |





## DELIVERIES OF FOREIGN MILITARY SALES, BY FISCAL YEARS

(Dollars in Millions)

| Country                           | FY 1950-1964   | FY 1965      | FY 1966      | FY 1967      | FY 1968      | FY 1969      | FY 1970      | FY 1950-1970   |
|-----------------------------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| <b>East Asia &amp; Pacific</b>    |                |              |              |              |              |              |              |                |
| Australia                         | 136.3          | 30.8         | 66.2         | 78.6         | 127.8        | 113.0        | 52.5         | 605.1          |
| China, Rep of                     | 1.2            | .8           | 1.3          | 4.4          | 10.9         | 13.5         | 36.9         | 69.1           |
| Indochina                         | 7.9            | -            | -            | -            | -            | -            | -            | 7.9            |
| Indonesia                         | .4             | -            | .2           | *            | *            | *            | -            | .6             |
| Japan                             | 66.4           | 25.1         | 18.8         | 14.1         | 41.3         | 12.4         | 19.4         | 197.5          |
| Korea                             | .3             | -            | -            | -            | 1.5          | .7           | 1.9          | 4.5            |
| Malaysia                          | *              | -            | .1           | .4           | 10.7         | 1.1          | 2.7          | 15.1           |
| New Zealand                       | 3.7            | 3.0          | 9.1          | 18.9         | 9.1          | 11.6         | 10.1         | 65.4           |
| Philippine                        | 3.9            | .5           | .4           | *            | .4           | .2           | .8           | 6.2            |
| Singapore                         | -              | -            | -            | -            | 13.4         | 6.5          | .2           | 20.1           |
| Thailand                          | 1.2            | *            | *            | *            | *            | -            | *            | 1.3            |
| Vietnam                           | *              | *            | -            | -            | -            | *            | -            | *              |
| Regional Costs**                  | 1.1            | *            | .1           | .2           | *            | .1           | .3           | 1.8            |
| <b>East Asia Total</b>            | <b>222.3</b>   | <b>60.2</b>  | <b>96.2</b>  | <b>116.7</b> | <b>215.1</b> | <b>159.3</b> | <b>124.8</b> | <b>954.6</b>   |
| <b>Near East &amp; South Asia</b> |                |              |              |              |              |              |              |                |
| Ceylon                            | *              | -            | -            | -            | *            | *            | .3           | .3             |
| Greece                            | 1.4            | .4           | .6           | .8           | 3.5          | 11.4         | 10.9         | 29.1           |
| India                             | Δ              | Δ            | Δ            | 1.5          | 3.0          | 1.6          | 2.9          | Δ              |
| Iraq                              | 1.9            | .9           | 4.3          | 5.6          | .2           | *            | -            | 12.9           |
| Iran                              | 1.2            | 12.9         | 52.2         | 38.9         | 56.7         | 99.2         | 189.7        | 450.7          |
| Israel                            | 4.3            | 17.5         | Δ            | Δ            | Δ            | Δ            | Δ            | Δ              |
| Jordan                            | 1.9            | .9           | Δ            | Δ            | Δ            | Δ            | Δ            | Δ              |
| Lebanon                           | .3             | *            | Δ            | Δ            | Δ            | Δ            | Δ            | Δ              |
| Pakistan                          | Δ              | Δ            | Δ            | 2.7          | 6.6          | 14.7         | 19.2         | Δ              |
| Saudi Arabia                      | 75.9           | 5.8          | .Δ           | Δ            | Δ            | Δ            | Δ            | Δ              |
| Syria                             | -              | -            | -            | -            | *            | -            | -            | *              |
| Turkey                            | .3             | *            | .5           | .3           | .4           | .4           | 3.4          | 5.2            |
| Regional Costs **                 | 84.0           | 2.6          | 57.2         | 94.8         | 85.7         | 165.6        | 311.4        | 940.3          |
| <b>NESA Total</b>                 | <b>171.2</b>   | <b>41.2</b>  | <b>114.8</b> | <b>144.5</b> | <b>156.1</b> | <b>292.9</b> | <b>537.8</b> | <b>1,453.5</b> |
| <b>Europe</b>                     |                |              |              |              |              |              |              |                |
| Austria                           | 14.3           | 19.6         | 4.1          | 1.8          | 2.3          | 1.0          | 8.7          | 51.8           |
| Belgium                           | 77.1           | 7.0          | 6.6          | 9.3          | 6.5          | .6           | 7.9          | 115.0          |
| Denmark                           | 25.3           | 4.0          | 5.1          | 8.1          | 7.3          | 8.6          | 10.9         | 69.3           |
| France                            | 124.2          | 76.5         | 45.8         | 15.7         | 12.6         | 25.1         | 12.4         | 312.3          |
| Germany                           | 1,565.3        | 300.5        | 373.8        | 309.1        | 156.3        | 207.5        | 226.2        | 3,138.8        |
| Iceland                           | *              | -            | -            | -            | *            | -            | -            | *              |
| Ireland                           | -              | -            | -            | -            | -            | *            | -            | *              |
| Italy                             | 98.2           | 39.3         | 57.2         | 29.3         | 50.1         | 50.4         | 50.4         | 374.8          |
| Luxembourg                        | .5             | .3           | .3           | .2           | .2           | .1           | .3           | 1.9            |
| Netherlands                       | 38.5           | 3.2          | 15.8         | 5.7          | 18.2         | 12.6         | 6.4          | 100.4          |
| Norway                            | 5.3            | 2.9          | 14.0         | 17.9         | 16.2         | 49.4         | 40.4         | 146.1          |
| Portugal                          | 4.0            | .5           | .2           | .5           | 1.0          | .6           | 1.1          | 7.9            |
| Spain                             | 2.6            | 5.2          | 12.0         | 15.5         | 13.5         | 14.6         | 8.6          | 72.0           |
| Sweden                            | 23.3           | 1.8          | .8           | 1.9          | 1.1          | 1.0          | .5           | 30.5           |
| Switzerland                       | 12.9           | 21.8         | 7.9          | 3.1          | 5.7          | 8.7          | 43.7         | 103.8          |
| United Kingdom                    | 74.2           | 50.7         | 66.2         | 156.9        | 270.5        | 369.5        | 221.5        | 1,201.5        |
| Yugoslavia                        | 9.4            | .6           | .4           | .3           | -            | .7           | .3           | 11.6           |
| Regional Costs **                 | -              | -            | -            | -            | *            | *            | -            | *              |
| <b>Europe Total</b>               | <b>2,075.2</b> | <b>533.9</b> | <b>610.2</b> | <b>575.3</b> | <b>561.6</b> | <b>750.2</b> | <b>639.4</b> | <b>5,745.8</b> |



## DELIVERIES OF FOREIGN MILITARY SALES BY FISCAL YEARS (Continued)

(Dollars in Millions)

| Country                     | FY 1950-1964 | FY 1965 | FY 1966 | FY 1967 | FY 1968 | FY 1969 | FY 1970 | FY 1950-1970 |
|-----------------------------|--------------|---------|---------|---------|---------|---------|---------|--------------|
| Algeria                     | -            | -       | 1.0     | .1      | .3      | *       | .1      | 1.5          |
| Angola                      | .6           | -       | .1      | *       | *       | *       | *       | .7           |
| Argentina                   | -            | -       | -       | -       | *       | -       | .1      | .1           |
| Australia                   | 1.1          | *       | .1      | -       | -       | *       | *       | 1.2          |
| Austria                     | .2           | .1      | .2      | .2      | 6.2     | 10.5    | 6.1     | 23.5         |
| Bahamas                     | -            | -       | -       | -       | -       | -       | .1      | .1           |
| Bangladesh                  | -            | -       | *       | 5.6     | 1.3     | 2.7     | 11.3    | 21.0         |
| Barbados                    | .2           | .2      | *       | *       | *       | *       | *       | .4           |
| Belgium                     | .5           | .3      | 1.9     | *       | .1      | -       | -       | 2.8          |
| Belize                      | -            | -       | -       | 1.5     | -       | -       | -       | 1.5          |
| Bhutan                      | 2.7          | .1      | *       | *       | *       | -       | *       | 2.9          |
| Bolivia                     | .3           | *       | *       | *       | -       | -       | -       | .4           |
| Burkina Faso                | 5.6          | .6      | 3.3     | 7.4     | 8.1     | 13.2    | 17.7    | 55.9         |
| Burundi                     | 46.4         | 1.9     | .8      | 1.2     | 9.8     | 11.3    | 8.1     | 79.4         |
| Cameroon                    | .5           | *       | .2      | .1      | *       | *       | *       | .9           |
| Canada                      | 17.0         | 3.5     | 13.3    | 6.1     | 15.7    | 17.7    | 11.7    | 84.9         |
| Cape Verde                  | 14.0         | 1.5     | 1.5     | 1.7     | 2.1     | 2.1     | 10.0    | 32.8         |
| Chad                        | 10.1         | .1      | .2      | .3      | .1      | .2      | .2      | 11.3         |
| Chile                       | .9           | -       | -       | *       | -       | -       | -       | .9           |
| China                       | 4.5          | -       | -       | -       | -       | -       | -       | 4.5          |
| Czech Republic              | 1.4          | *       | *       | .2      | .1      | -       | .1      | 1.9          |
| Dominican Republic          | 2.5          | *       | *       | .1      | 1.0     | .2      | .5      | 4.3          |
| El Salvador                 | .9           | *       | *       | *       | *       | .4      | .1      | 1.5          |
| Ecuador                     | .9           | .5      | .4      | .2      | .4      | .1      | .3      | 2.7          |
| Equatorial Guinea           | .2           | -       | -       | -       | -       | -       | -       | .2           |
| Ethiopia                    | 1.0          | *       | *       | *       | *       | .1      | *       | 1.1          |
| Fiji                        | -            | -       | -       | -       | *       | *       | *       | *            |
| Ghana                       | 7.9          | .5      | .6      | .5      | .8      | .1      | .4      | 10.8         |
| Greece                      | 2.0          | *       | *       | *       | .1      | *       | .1      | 2.3          |
| Guatemala                   | *            | -       | -       | -       | *       | -       | -       | *            |
| Haiti                       | .3           | -       | *       | *       | *       | -       | -       | .4           |
| Honduras                    | 36.2         | 1.0     | 3.5     | 1.6     | 4.7     | .7      | 2.0     | 49.7         |
| Hungary                     | 2.3          | *       | -       | -       | *       | *       | .2      | 2.5          |
| India                       | 60.4         | 7.8     | 4.7     | 12.5    | 12.2    | 2.4     | 3.0     | 103.1        |
| Indonesia                   | 209.5        | 16.9    | 25.2    | 24.5    | 47.3    | 35.3    | 36.6    | 395.2        |
| Iran                        | 588.4        | 45.0    | 37.7    | 30.7    | 17.9    | 28.0    | 49.7    | 797.2        |
| International Organizations | 88.4         | 6.1     | 4.1     | 17.8    | 26.1    | 47.9    | 23.8    | 214.1        |
| TOTAL                       | 3,360.6      | 703.8   | 891.5   | 916.9   | 1,032.0 | 1,326.7 | 1,429.8 | 9,661.4      |



## COMMITTEES

## STANDING COMMITTEES OF THE SENATE

(Democrats in roman, Republicans in italics)

## Appropriations

(Meets upon call of chairman)

|  |   |
|--|---|
| <b>Carl Hayden</b> , of Arizona.           | <i>Milton R. Young</i> , of North Dakota. |
| <b>Richard B. Russell</b> , of Georgia.    | <i>Karl E. Mundt</i> , of South Dakota.   |
| <b>Allen J. Ellender</b> , of Louisiana.   | <i>Margaret Chase Smith</i> , of Maine.   |
| <b>Lister Hill</b> , of Alabama.           | <i>Thomas H. Kuchel</i> , of California.  |
| <b>John L. McClellan</b> , of Arkansas.    | <i>Roman L. Hruska</i> , of Nebraska.     |
| <b>Warren G. Magnuson</b> , of Washington. | <i>Gordon Allott</i> , of Colorado.       |
| <b>Spessard L. Holland</b> , of Florida.   | <i>Norris Cotton</i> , of New Hampshire.  |
| <b>John Stennis</b> , of Mississippi.      | <i>Clifford P. Case</i> , of New Jersey.  |
| <b>John O. Pastore</b> , of Rhode Island.  | <i>Jacob K. Javits</i> , of New York.     |
| <b>A. S. Mike Monroney</b> , of Oklahoma.  |   |
| <b>Alan Bible</b> , of Nevada.             |   |
| <b>Robert C. Byrd</b> , of West Virginia.  |   |
| <b>Gale W. McGee</b> , of Wyoming.         |   |
| <b>Mike Mansfield</b> , of Montana.        |   |
| <b>E. L. Bartlett</b> , of Alaska.         |   |
| <b>William Proxmire</b> , of Wisconsin.    |   |
| <b>Ralph W. Yarborough</b> , of Texas.     |   |

Thomas J. Scott, Chief Clerk

## Banking and Currency

(Meets second Tuesday)

|   |   |
|---|---|
| <b>John J. Sparkman</b> , of Alabama.             | <i>Wallace F. Bennett</i> , of Utah.        |
| <b>William Proxmire</b> , of Wisconsin.           | <i>John G. Tower</i> , of Texas.            |
| <b>Harrison A. Williams, Jr.</b> , of New Jersey. | <i>Bourke B. Hickenlooper</i> , of Iowa.    |
| <b>Edmund S. Muskie</b> , of Maine.               | <i>Edward W. Brooke</i> , of Massachusetts. |
| <b>Edward V. Long</b> , of Missouri.              | <i>Charles H. Percy</i> , of Illinois.      |
| <b>Thomas J. McIntyre</b> , of New Hampshire.     |   |
| <b>Walter F. Mondale</b> , of Minnesota.          |   |
| <b>Gale W. McGee</b> , of Wyoming.                |   |
| <b>William B. Spong, Jr.</b> , of Virginia.       |   |

Lewis G. Odom, Jr., Chief of Staff

## Foreign Relations

(Meets Tuesday)

|   |   |
|---|---|
| <b>J. W. Fulbright</b> , of Arkansas.     | <i>Bourke B. Hickenlooper</i> , of Iowa.  |
| <b>John J. Sparkman</b> , of Alabama.     | <i>George D. Aiken</i> , of Vermont.      |
| <b>Mike Mansfield</b> , of Montana.       | <i>Frank Carlson</i> , of Kansas.         |
| <b>Wayne Morse</b> , of Oregon.           | <i>John J. Williams</i> , of Delaware.    |
| <b>Albert Gore</b> , of Tennessee.        | <i>Karl E. Mundt</i> , of South Dakota.   |
| <b>Frank J. Lausche</b> , of Ohio.        | <i>Clifford P. Case</i> , of New Jersey.  |
| <b>Frank Church</b> , of Idaho.           | <i>John Sherman Cooper</i> , of Kentucky. |
| <b>Stuart Symington</b> , of Missouri.    |   |
| <b>Thomas J. Dodd</b> , of Connecticut.   |   |
| <b>Joseph S. Clark</b> , of Pennsylvania. |   |
| <b>Claiborne Pell</b> , of Rhode Island.  |   |
| <b>Eugene J. McCarthy</b> , of Minnesota. |   |

Carl Marcy, Chief of Staff





## STANDING COMMITTEES OF THE HOUSE

(Democrats in roman; Republicans in *italics*)

## Appropriations

(Meets upon call of chairman)

George H. Mahon, of Texas.  
 Michael J. Kirwan, of Ohio.  
 Jamie L. Whitten, of Mississippi.  
 George W. Andrews, of Alabama.  
 John J. Rooney, of New York.  
 Robert L. F. Sikes, of Florida.  
 Otto E. Passman, of Louisiana.  
 Joe L. Evins, of Tennessee.  
 Edward P. Boland, of Massachusetts.  
 William H. Natcher, of Kentucky.  
 Daniel J. Flood, of Pennsylvania.  
 Tom Steed, of Oklahoma.  
 George E. Shipley, of Illinois.  
 John M. Slack, Jr., of West Virginia.  
 John J. Flynt, Jr., of Georgia.  
 Neal Smith, of Iowa.  
 Robert N. Giaimo, of Connecticut.  
 Julia Butler Hansen, of Washington.  
 Charles S. Joelson, of New Jersey.  
 Joseph P. Addabbo, of New York.  
 John J. McFall, of California.  
 W. R. Hull, Jr., of Missouri.  
 Jeffery Cohelan, of California.  
 Thomas G. Morris, of New Mexico.  
 Edward J. Patten, of New Jersey.  
 Clarence D. Long, of Maryland.  
 John O. Marsh, Jr., of Virginia.  
 Sidney R. Yates, of Illinois.  
 Bob Casey, of Texas.  
 David Pryor, of Arkansas.

Frank T. Bow, of Ohio.  
 Charles R. Jonas, of North Carolina.  
 Melvin R. Laird, of Wisconsin.  
 Elford A. Cederberg, of Michigan.  
 Glenard P. Lipscomb, of California.  
 John J. Rhodes, of Arizona.  
 William E. Minshall, of Ohio.  
 Robert H. Michel, of Illinois.  
 Silvio O. Conte, of Massachusetts.  
 Odin Langen, of Minnesota.  
 Ben Reifel, of South Dakota.  
 Glenn R. Davis, of Wisconsin.  
 Howard W. Robison, of New York.  
 Garner E. Shriver, of Kansas.  
 Joseph M. McDade, of Pennsylvania.  
 Mark Andrews, of North Dakota.  
 William H. Harrison, of Wyoming.  
 Louis C. Wynn, of New Hampshire.  
 Burt L. Talcott, of California.  
 Charlotte T. Reid, of Illinois.  
 Donald W. Riegle, Jr., of Michigan.

Kenneth Sprankle, Clerk

## Banking and Currency

(Meets first and third Tuesdays)

Wright Patman, of Texas.  
 Abraham J. Multer, of New York.  
 William A. Barrett, of Pennsylvania.  
 Leonor Kretzer (Mrs. John B.) Sullivan,  
 of Missouri.  
 Henry S. Reuss, of Wisconsin.  
 Thomas L. Ashley, of Ohio.  
 William S. Moorhead, of Pennsylvania.  
 Robert G. Stephens, Jr., of Georgia.  
 Fernand J. St Germain, of Rhode  
 Island.  
 Henry B. Gonzalez, of Texas.  
 Joseph G. Minish, of New Jersey.  
 Richard T. Hanna, of California.  
 Tom S. Gettys, of South Carolina.  
 Frank Annunzio, of Illinois.  
 Thomas M. Rees, of California.  
 Jonathan B. Bingham, of New York.  
 Nick Galifianakis, of North Carolina.  
 Tom Bevill, of Alabama.  
 Peter N. Kyros, of Maine.

William B. Widnall, of New Jersey.  
 Paul A. Fino, of New York.  
 Florence P. Dwyer, of New Jersey.  
 Seymour Halpern, of New York.  
 William E. Brock, Jr., of Tennessee.  
 Del Clarson, of California.  
 Albert W. Johnson, of Pennsylvania.  
 J. William Stanton, of Ohio.  
 Chester L. Mize, of Kansas.  
 Sherman P. Lloyd, of Utah.  
 Benjamin B. Blackburn, of Georgia.  
 Garry E. Brown, of Michigan.  
 Lawrence G. Williams, of Pennsylvania.  
 Chalmers P. Wylie, of Ohio.

Paul Nelson, Clerk and Staff Director

## Foreign Affairs

(Meets Tuesday)

Thomas E. Morgan, of Pennsylvania.  
 Clement J. Zablocki, of Wisconsin.  
 Omar Burleson, of Texas.  
 Edna F. Kelly, of New York.  
 Wayne L. Hays, of Ohio.  
 Armistead I. Selden, Jr., of Alabama.  
 Barratt O'Hara, of Illinois.  
 L. H. Fountain, of North Carolina.  
 Dante B. Fascell, of Florida.  
 Leonard Farbstein, of New York.  
 Charles C. Diggs, Jr., of Michigan.  
 William T. Murphy, of Illinois.  
 Cornelius E. Gallagher, of New Jersey.  
 Robert N. C. Nix, of Pennsylvania.  
 John S. Monagan, of Connecticut.  
 Donald M. Fraser, of Minnesota.  
 Benjamin S. Rosenthal, of New York.  
 Edward R. Roybal, of California.  
 John C. Culver, of Iowa.  
 Lee H. Hamilton, of Indiana.  
 John V. Tunney, of California.

Frances P. Bolton, of Ohio.  
 E. Ross Adair, of Indiana.  
 William S. Mailliard, of California.  
 Peter H. B. Frelinghuysen, of New Jersey.  
 William S. Broomfield, of Michigan.  
 J. Irving Whalley, of Pennsylvania.  
 H. R. Gross, of Iowa.  
 E. Y. Berry, of South Dakota.  
 Edward J. Derwinski, of Illinois.  
 F. Bradford Morse, of Massachusetts.  
 Vernon W. Thomson, of Wisconsin.  
 James G. Fulton, of Pennsylvania.  
 Paul Findley, of Illinois.  
 John Buchanan, of Alabama.  
 Robert Taft, Jr., of Ohio.



*Senate***COMMITTEE ON FOREIGN RELATIONS**

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**SUBCOMMITTEE ON DISARMAMENT****ALBERT GORF**, Tennessee, *Chairman***FRANK CHURCH**, Idaho**STUART SYMINGTON**, Missouri**JOSEPH S. CLARK**, Pennsylvania**CLAIBORNE PELL**, Rhode Island**BOURKE B. HICKENLOOPER**, Iowa**GEORGE D. AIKEN**, Vermont**JOHN SHERMAN COOPER**, Kentucky**WILLIAM B. BADER**, *Consultant*

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**SUBCOMMITTEE ON NEAR EASTERN AND SOUTH ASIAN AFFAIRS****STUART SYMINGTON**, Missouri, *Chairman***JOHN SPARKMAN**, Alabama**MIKE MANSFIELD**, Montana**BOURKE B. HICKENLOOPER**, Iowa**KARL E. MUNDT**, South Dakota**WILLIAM B. BADER**, *Consultant***HOUSE OF REPRESENTATIVES****COMMITTEE ON APPROPRIATIONS**

---

**SUBCOMMITTEE ON FOREIGN OPERATIONS AND RELATED AGENCIES****OTTO E. PASSMAN**, Louisiana, *Chairman***JOHN J. ROONEY**, New York**ELIA BUTLER HANSEN**, Washington**JEFFERY COHELAN**, California**CLARENCE D. LONG**, Maryland**JOHN J. MCFALL**, California**GARNER L. SHRIVER**, Kansas**SILVIO O. CONTE**, Massachusetts**CHARLOTTE T. REID**, Illinois**DONALD W. RIEGLE, Jr.**, Michigan**FRANCIS G. MERRILL**, *Staff Assistant to the Subcommittee*

**Source:** Congressional Directory, 90th Congress, 1st session  
(Washington: U.S. Government Printing Office, 1967).



# BIOGRAPHICAL

## SENATORS

**FRANK CHURCH**, Democrat, of Boise, Idaho; born July 25, 1924, at Boise; attended Boise public schools; A.B., LL.B., Stanford University; Phi Beta Kappa; enlisted as private in United States Army during World War II and commissioned as officer on 20th birthday, serving with Military Intelligence in China, Burma, and India; engaged in private law practice in Boise; married to former Bethine Clark, daughter of United States District Judge and former Idaho Governor Chase A. Clark; two sons: Forrest, 18, and Chase, 9; State chairman, Crusade for Freedom, 1954-55; State chairman, Young Democrats of Idaho, 1952-54; National Jaycee Outstanding Young Man, 1957; Keynoter, Democratic National Convention, 1960; elected to the United States Senate on November 6, 1956; reelected November 6, 1962; U.S. delegate to the 21st General Assembly of the United Nations.

**ALLEN JOSEPH ELLENDER**, Democrat, of Houma, La.; born in Montegut, Terrebonne Parish, La., September 24, 1890; lawyer and farmer; graduate of St. Aloysius College, New Orleans, La., and Tulane University of Louisiana, at New Orleans, with degrees of M. A. and LL. B.; married to Miss Helen Calhoun Donnelly (died September 30, 1949); one son, Allen J., Jr.; served in World War I; city attorney of Houma, 1913-15; district attorney, Terrebonne Parish, 1915-16; delegate to Constitutional Convention of Louisiana in 1921; member of the house of representatives of Louisiana, 1924-36; floor leader, 1928-32, during administration of the late Huey P. Long, Governor; speaker of the house of representatives, 1932-36; Democratic nominee for United States Senator from Louisiana, and elected without opposition in the general election held on November 3, 1936, for the term ending January 3, 1943; reelected November 3, 1942, in the general election, without opposition, for the term ending January 3, 1949; reelected without opposition in the general election held on November 2, 1948, for the term ending January 3, 1955; again reelected without opposition in the general election held on November 2, 1954, for the term ending January 3, 1961; reelected November 8, 1960, for the term ending January 3, 1967; reelected November 8, 1966, for the term ending January 3, 1973; Democratic national committeeman from Louisiana, 1939-40.

**J. W. FULBRIGHT**, Democrat, of Fayetteville, Ark.; son of Jay and Roberta Waugh Fulbright; University of Arkansas, B.A.; Rhodes Scholar, Oxford University B.A., M.A.; George Washington University LL.B.; attorney, United States Department of Justice; instructor in law, George Washington University; president, University of Arkansas; elected to the 78th Congress on November 3, 1942; elected to the United States Senate November 7, 1944, for the term ending January 3, 1951; reelected November 7, 1950, for the term ending January 3, 1957; reelected November 6, 1956, for the term ending January 3, 1963; reelected November 6, 1962, for the term ending January 3, 1969.

**EUGENE J. McCARTHY**, Democrat-Farmer-Labor, of St. Paul, Minn.; born in Watkins, Minn., March 29, 1916; graduated from St. John's University, Collegeville, Minn., in 1935, from the University of Minnesota at Minneapolis with M. A. degree; taught social science in high schools for 5 years; professor of economics and education at St. John's University 1940-42; civilian technical assistant in the Military Intelligence Division, War Department; married Abigail Quigley in 1945; they have three daughters and one son—Ellen Anne, Mary Abigail, Margaret Alice, and Michael Benet; acting chairman of sociology department of St. Thomas College 1946; chairman of the Ramsey County Democratic Farmer-Labor Party in 1948; delegate at large to the Democratic National Convention in 1948; elected to the 81st, 82d, 83d, 84th, and 85th Congresses; elected as United States Senator for a 6-year term beginning January 3, 1959; reelected November 3, 1964; member of Senate Committees on Finance and Foreign Relations; Select Committee on Standards & Conduct, Franklin Delano Roosevelt Memorial Commission, Democratic Steering Committee; in 1959 and 1960 chairman of the Senate Special Committee on Unemployment Problems; author of the book *Frontiers in American Democracy* (1960), *Dictionary of American Politics* (1962), and *A Liberal Answer to the Conservative Challenge* (1964).





**STUART SYMINGTON**, Democrat, of Clayton, St. Louis, Mo., 63105; born June 26, 1901, in Amherst, Mass.; enlisted in the Army at 17; Yale, 1919-23 (A.B.); started in steel business as a molder; married to Evelyn Wadsworth, daughter of Senator James W. Wadsworth; two sons, Stuart and James; became president of Emerson Electric Manufacturing Co. of St. Louis; entered Government service July 16, 1945, serving successively as chairman of Surplus Property Board; Assistant Secretary of War for Air; Secretary of the Air Force; chairman of National Security Resources Board; Administrator, Reconstruction Finance Corporation; Episcopalian; Mason; elected United States Senator for Missouri on November 4, 1952; reelected November 4, 1958; reelected November 3, 1961 for term ending January 3, 1971.

## REPRESENTATIVES

**SILVIO O. CONTE**, Republican, of Pittsfield, Mass.; born in Pittsfield November 9, 1921, son of Mr. and Mrs. Ottavio Conte; attended public schools in Pittsfield and the Pittsfield Vocational High School, graduating in 1940; machinist at General Electric Co. in Pittsfield before joining Seabees in World War II; served in Southwest Pacific; attended Boston College and Boston College Law School, graduating in 1949; admitted to the bar same year; in November 1950 elected to the Massachusetts State Senate; served as Senator from Berkshire District 1951-58; served as chairman of Senate committees on Constitutional Law, Insurance, Judiciary, and as chairman of Legislative Research Council, Special Commission Investigating Health and Welfare Trust Funds, Commission on Fish and Game, Commission Investigating Accident and Health Insurance, Commission Investigating the Increase in Tank-Wagon Prices of Gasoline and Fuel Oil, Commission Studying Blue Cross-Blue Shield, Commission Investigating Discriminatory Practices in Fraternities and Societies in Massachusetts Colleges and Universities; selected by Massachusetts Junior Chamber of Commerce as outstanding young man of the year in 1954; member of platform committee at the Republican National Convention in 1960 and 1964; director of the Pittsfield Girls' Club; director of Hillcrest Hospital; member of Berkshire Bar Association, Massachusetts Bar Association, Federal Bar Association; maintains congressional office at 7 North Street, Pittsfield, Mass.; married to the former Corinne Duval, four children; elected to the 86th Congress November 4, 1958; reelected to the 87th, 88th, 89th, and 90th Congresses.

**H. R. GROSS**, Republican, of Waterloo, Iowa; born, Arispe, Iowa, June 30, 1899, and raised on a farm; education, rural schools, University of Missouri School of Journalism; profession, newspaper reporter and editor from 1921 to 1935; radio news commentator from 1935 to 1948; military service, Mexican Border Service 1916, American Expeditionary Forces World War I; member Presbyterian Church, Masonic Lodge, Elks, American Legion, Veterans of Foreign Wars; married to Hazel E. Webster, Cresco, Iowa, June 29, 1929; two sons, Phil and Alan; elected to the 81st Congress on November 2, 1948; reelected to the 82d, 83d, 84th, 85th, 86th, 87th, 88th, 89th, and 90th Congresses.

**CLARENCE DICKINSON LONG**, Democrat, of Ruxton, Md.; born in South Bend, Ind., December 11, 1903; received B.A. from Washington and Jefferson College, 1932, and M.A. in 1933; M.A. from Princeton University in 1935 and Ph. D. in 1938; Guggenheim Fellow; member, Institute for Advanced Study, Princeton, 1941-43; served in the U.S. Navy as a lieutenant in World War II; professor of economics at the Johns Hopkins University since 1946 (on leave 1963-64); associate task force director of the first Hoover Commission in 1948; senior staff member of the Council of Economic Advisers to the President 1953-54 and 1956-57; acting chairman of the Democratic State Central Committee of Maryland 1961-62; author of seven books and many articles on unemployment, wages, labor force, and economic fluctuations; married to the former Susanna Larter; two children, Clarence Dickinson 3d and Susanna Elizabeth; elected to the 88th Congress November 6, 1962; reelected to the 89th and 90th Congresses.

**THOMAS E. MORGAN**, Democrat, of Fredericktown, Pa., born in Ellsworth, Pa., October 13, 1906; attended the public schools of Washington County, and was graduated from East Bethlehem Township High School at Fredericktown, Pa., in 1926; was graduated from Waynesburg College, Waynesburg, Pa., in 1930 with a bachelor of science degree; from Detroit College of Medicine and Surgery, Detroit, Mich., in 1933 with a bachelor of medicine degree, and from Wayne University in 1934, with a doctor of medicine degree; served internship at Grace Hospital, Detroit, Mich., and since that time has practiced medicine and surgery at Fredericktown, Pa.; married Winifred Stait of Portage la Prairie, Manitoba, Canada, August 26, 1937; they have one daughter, Mrs. Gordon Youngblood; member of numerous fraternal and civic organizations; elected to the 79th Congress on November 7, 1944; reelected to each succeeding Congress; chairman of House Foreign Affairs Committee, 86th, 87th, 88th, 89th, and 90th Congresses.





**OTTO ERNEST PASSMAN**, Democrat, of Monroe, La.; born on a farm in Washington Parish, near Franklinton, La., June 27, 1900, of Irish-French-Holland Dutch extraction; married; owner of Passman Investment Co., Monroe, La.; served as officer in U.S. Navy during World War II; member, First Baptist Church, Monroe, La.; past State Commander, American Veterans of World War II, Inc.; member, American Legion; 33d degree Scottish Rite Mason; member, Red Cross of Constantine of York Rite of Freemasonry; past Grand Master, Grand Lodge of the State of Louisiana, Free and Accepted Masons; elected on November 5, 1946, to the 80th Congress; reelected to the 81st, 82d, 83d, 84th, 85th, 86th, 87th, 88th, 89th, and 90th Congresses.

**WRIGHT PATMAN**, Democrat, of Texarkana, Tex.; born at Patman's Switch near Hughes Springs, Cass County, Tex., August 6, 1893; finished high school at Hughes Springs, 1912; received LL. B. degree, Cumberland University, 1916; United States Army, 1917-19, enlisted man and first lieutenant—machine gun officer; married Miss Merle Connor, of Winnsboro, Tex., February 14, 1919 (they have three sons, all having served in World War II); member of Texas Legislature for 4 years; district attorney, fifth judicial district of Texas, 5 years; elected in 1923 to the 71st Congress and reelected to each succeeding Congress; chairman of the Banking and Currency Committee of the House of Representatives, member of the Joint House and Senate Defense Production Committee, member of the House Select Committee on Small Business, and member of the House and Senate Joint Economic Committee; he and all members of his family affiliated with the First Baptist Church of Texarkana, Tex.; member of Masons, Elks, Eagles, Shrine, American Legion, Disabled American Veterans; associate member of National Press Club; member of State Bar Association and admitted to practice before Supreme Court of the United States; administrative assistant, Baron I. Shacklette, Waldorf, Md., phone: MI 5-8931 (area code 301); secretary, Mrs. Dorothy F. Council, 3525 Paul Street, Alexandria, Va., 22311, phone: 481-2881.

**HENRY S. REUSS**, Democrat, of Milwaukee, Wis.; born in Milwaukee, Wis., February 22, 1912; educated in Milwaukee schools, A. B. Cornell University, LL. B. Harvard Law School; lawyer; lecturer (University of Wisconsin, Milwaukee), and writer; author of "The Critical Decade," 1964; member of Milwaukee School Board, 1953-55; married to Margaret Magrath, 1942; four children—Christopher, Michael, Jacqueline, Anne; assistant corporation counsel, Milwaukee County, 1939-40; assistant general counsel OPA, Washington, D.C., 1941-42; entered United States Army as private, January 1943; commissioned second lieutenant, Infantry, at Fort Benning, Ga., November 1943; served in 63d and 75th Infantry Divisions 1943-45; chief, Price Control Branch, Office of Military Government for Germany, June-December 1945; awarded Bronze Star Medal for action at Rhine crossing and Bronze Battle Stars for Normandy, Northern France, and Central Germany; deputy general counsel, Marshall Plan, Paris, France, 1949; special prosecutor, Milwaukee County Grand Jury 1950; personal counsel to Secretary of State Fred Zimmerman in Reapportionment Case, Wisconsin Supreme Court, 1953; former president, White Elm Nursery Co., Hartland, Wis.; former director, Marshall and Ilsley Bank, Milwaukee, Wis., and Niagara Share Corporation, Buffalo, N.Y.; past president, Cornell Alumni Association of Wisconsin; vice president, Chi Psi Alumni Association; director, Children's Service Society; vice chairman, Junior Bar Association; Board of Alumni Visitors, Harvard Law School, 1957-60; Board of Visitors, Cornell University; National Board, Youth Hostel Association; elected to the 84th Congress November 2, 1954; reelected to 85th, 86th, 87th, 88th, 89th, and 90th Congresses.

**WILLIAM BECK WIDNALL**, Republican, of Saddle River, N. J.; born in Hackensack, N. J., March 17, 1906; Episcopalian; educated in the Hackensack public schools; graduated from Brown University, Ph. B., in 1926 and from the New Jersey Law School (now part of Rutgers University), LL. B., in 1931; profession is law; married Marjorie Soule in 1933 and has two children—Barbara and William S.; member of Bergen County Bar Association; member of the New Jersey House of Assembly 1946-49 and reelected for 1950 and 1951; elected to the 81st Congress in a special election held February 6, 1950; reelected to the 82d, 83d, 84th, 85th, 86th, 87th, 88th, 89th, and 90th Congresses.



# APPENDIX F

## The leaders in arms sales overseas

[In millions of dollars]

| Manufacturer  | Weapons                        | Sales (July 1962-66) |
|---|--------------------------------|----------------------|
| General Dynamics Corp.....                                  | { F-111A aircraft.....         | \$1,072.0            |
|   | { Tartar missiles.....         | 34.4                 |
| Total.....  |                                | 1,106.4              |
| Lockheed Aircraft Corp.....                                 | { P-3A aircraft.....           | 23.5                 |
|   | { F-104 aircraft.....          | 527.1                |
|   | { C-130 aircraft.....          | 409.3                |
| Total.....  |                                | 959.9                |
| McDonnell Aircraft Corp.....                                | F-4 aircraft.....              | 703.0                |
| Lockheed-General Dynamics (joint venture).....              | Polaris missile system.....    | 427.0                |
| Northrop Corp.....  | F-5 aircraft.....              | 355.0                |
| Bath Iron Works-Defoe Shipbuilding Co. (joint venture)..... | Guided missile destroyers..... | 277.0                |
| Martin Marietta Corp.....                                   | Pershing missile.....          | 253.0                |
| Raytheon Co.....  | Hawk missile.....              | 231.8                |
| FMC Corp.....   | M-113 personnel carrier.....   | 166.8                |
| Chrysler Corp.....  | M-60 tank.....                 | 154.2                |
| Sperry Rand Corp.....                                       | Sergeant missile.....          | 149.7                |
| Ling-Temco-Vought, Inc.....                                 | F-8E aircraft.....             | 66.0                 |
| General Motors Corp.....                                    | 155-millimeter howitzer.....   | 56.5                 |
| Boeing Co.....  | C-135F aircraft.....           | 53.0                 |
| Pacific Car & Foundry Co.....                               | 175-mm. gun.....               | 35.7                 |
| Gruzman Aircraft Engineering Corp.....                      | S-2E aircraft.....             | 23.3                 |

Source: Defense Department data. \*

\* Published in Business Week, December 3, 1966



## APPENDIX G

### *Foreign military sales program by weapons systems; fiscal years 1962-66 and outstanding commitments*

[In millions of dollars]

|                                 |        |  |                  |
|---------------------------------|--------|--|------------------|
| F-111 aircraft .....            | 1045.0 | F-5 and T-38 aircraft .....                                | 148.0            |
| F-4 aircraft .....              | 1091.0 | Sparrow missile .....                                      | 102.5            |
| F-104 aircraft .....            | 857.7  | Miscellaneous weapons .....                                | 92.8             |
| Combat vehicles .....           | 524.9  | P3A Aircraft .....   | 76.5             |
| Polaris .....                   | 638.0  | Ships, other .....   | 73.5             |
| C-130 aircraft .....            | 525.1  | F8E aircraft .....   | 67.7             |
| Ammunition all types .....      | 447.3  | C-135 aircraft .....                                       | 53.0             |
| Support equipment .....         | 344.6  | Tartar missile systems .....                               | 34.4             |
| Supply support arrangements     | 296.8  | S-2E aircraft .....  | 23.3             |
| Guided missile destroyers ..... | 281.6  | Noncombat vehicles .....                                   | 71.3             |
| Hawk missile system .....       | 291.6  | Other missiles .....                                       | 302.1            |
| Pershing missile systems .....  | 253.1  | Other aircraft .....                                       | 226.6            |
| M-113 armored personnel carrier | 243.5  | Miscellaneous orders .....                                 | 1681.7           |
| Communications and electronics  | 252.8  | Commitments to order, items unspecified, largely FRG ..... | 890.8            |
| Sergeant missile systems .....  | 165.7  | <b>Total .....</b>   | <b>11, 102.9</b> |

### *Foreign military sales program, fiscal years 1962-66 and outstanding commitments*

|                              | 1962           | 1963           | 1964           | 1965           | 1966           | Out-standing commitments | Grand total     |
|------------------------------|----------------|----------------|----------------|----------------|----------------|--------------------------|-----------------|
| NATO Europe and Canada ..... | 1,323.1        | 1,222.1        | 1,064.6        | 1,304.7        | 1,365.6        | 2,452.6                  | 8,732.7         |
| Industrial Far East .....    | 165.3          | 74.6           | 139.8          | 360.0          | 139.9          | 272.7                    | 1,152.3         |
| NESA .....                   | 7.7            | 44.8           | 27.5           | 230.4          | 348.0          | 314.0                    | 972.4           |
| Latin America .....          | 19.0           | 10.7           | 24.1           | 53.0           | 55.9           | -----                    | 162.7           |
| Africa .....                 | 3.2            | 24.3           | 5.7            | 8.1            | 4.5            | -----                    | 45.8            |
| Other .....                  | -----          | .2             | .3             | 13.5           | 23.0           | -----                    | 37.0            |
| <b>Total program .....</b>   | <b>1,518.3</b> | <b>1,376.7</b> | <b>1,262.0</b> | <b>1,969.7</b> | <b>1,936.9</b> | <b>3,039.3</b>           | <b>11,102.9</b> |

Source: Armed Forces Management, January 1967





APPENDIX H  
THE FORD FOUNDATION  
17, RUE MARGUERITTE  
75. PARIS-17<sup>e</sup>

INTERNATIONAL DIVISION  
PEACE AND INTERNATIONAL AFFAIRS  
OFFICE IN EUROPE

TEL. 227.45.12

Paris, November 2nd, 1971

Commander J.M. PATTON  
31, Needham Street  
N. CHELMSFORD  
Mass. 01863  
U.S.A.

Dear Commander Patton:

Good - your questions are clear and I will do my best to answer them.

1. The initiative for the staff study was mine. No other member of the staff participated in writing the study. With the obvious exceptions of Carl Marcy and Pat Holt, the rest of the staff never even knew about the study until it was published. The study was given normal distribution with no special effort to bring it to the attention of the rest of the Congress or the press. In fact, the report was a sleeper. No-one involved had any idea that the study would draw so much attention and cause so much controversy. It was probably one of those cases where the staff study acted as the last drop of acid before the litmus turned.

The idea for the study came after listening to Sam de Palma say to the Committee during a nominative hearing that ACDA had no voice in the decisions on arms sales.

2. No it was not anticipated that McNaughton would so react. I did not think DOD would react at all. The letter of "rebuttal" was printed in the hearing and the hearing given the same distribution as the study. In fact, given a wider dissemination because of the growing controversy around the issue. You should know, however, that the publications of the FRC really do not follow a "distribution list" outside the Congress. Most are sent on request.

../..



- Page 2 -

I would describe Kuss as most cooperative and informative during the interview. He clearly was proud of what he was doing - after all, he had a mandate from McNamara and received a decoration for his efforts.

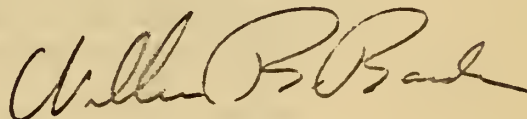
3. No.

4. Both Symington and I were intrigued by a number of articles on Cummings and I lived in Alexandria (home of Interarmco). This was an example - in all candor - of how decisions are often made about witnesses. After listening to Cummings I can believe that he really enjoyed the idea of testifying and, more importantly, putting the "commander" to some of his competitors.

5. Very pleased - primarily because the process made the congress aware of arms sales and raised the hopes of more effective legislative oversight. I think this has been the case. I was not aware of the Conte-Long amendment. There was remarkably little communication between the relevant staffs. As I remember it the Symington amendment did not go through much of a transaction. But you should see Norville Jones and Pat Holt of the Committee Staff on this. It would be a good idea to talk to Norville anyway. He now handles the sales issue.

I hope I have helped. Please follow up with additional questions if you are so inclined.

Sincerely yours,



William B. Bader



October 19, 1971

Dr. William Bader  
International Division  
The Ford Foundation  
Paris, France

Dear Dr. Bader:

I have received your acknowledgment of my letter of October 4. Thank you for your invitation to send specific questions. At present, in my research, I am making an effort to identify the congressional initiatives for reform of the U.S. Military Assistance and Sales Program as it existed prior to the passage of the Foreign Assistance Act of 1967 (together with its appropriating legislation) and the Export-Import Bank Extension Act of the same year. It would be of considerable help to me if you might respond to the following questions.

1. On whose initiative was the staff study, "Arms Sales and Foreign Policy" (published January 25, 1967), undertaken? Could you identify staff members, other than yourself, who participated in writing the study? Was an effort made to ensure that dissemination of the study included members of both houses of Congress serving on committees whose jurisdiction covered foreign assistance and Ex-Im Bank legislation?

2. In regard to the administration's reaction to the study; was it anticipated that Mr. McNaughton would contest the accuracy of the study and respond with a factual rebuttal? Was the rebuttal letter given the same dissemination as the study itself? During your interview with Mr. Henry Kuss, incident to the preparation of the study, would you describe him as cooperative and informative or as evasive or reticent concerning his role in promoting arms sales.

3. In the spring and summer of 1967, the period during which momentum grew within both houses of Congress for the reform of existing systems of arms transfers, were members of the staff of the Committee on Foreign Relations in active contact with members of the House and Senate Committees on Appropriations and Banking and Currency?

4. Would you comment on the selection of Mr. Samuel Cummings, the president of Interarmco, as a witness before the Subcommittee on Near Eastern and South Asian Affairs (April 13, 1967)? His testimony (despite his own efforts to minimize the role of private arms merchants) seemed calculated to "wave a red flag" in front of some previously



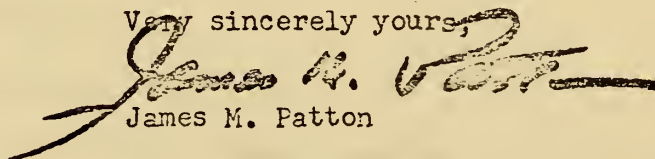


quiescent bulls.

5. What was your own reaction to the legislation passed that year and early in 1968 which effected the various restraints on arms transfers and military assistance? Were you aware beforehand of Congressman Conte's intention of writing legislation into the foreign assistance appropriation bill (via the "Conte-Long amendment")? Did the "Symington amendment" go through much transition prior to its being introduced?

I hope that I am not presumptuous in putting these questions to you, Dr. Bader. It is because you appear to have played a rather central role in an effort to focus the attention of the Congress on what may have been clear excesses on the part of the administration that I am looking forward with great interest to whatever replies you may make. Any peripheral advice or information you might volunteer would, of course, be deeply appreciated.

Very sincerely yours,

A handwritten signature in dark ink, appearing to read "James M. Patton", with a long, sweeping horizontal stroke extending to the right.

James M. Patton

31 Needham Street  
N. Chelmsford, Mass. 01863





## THE FORD FOUNDATION

17, RUE MARGUERITTE

75 - PARIS - 17<sup>e</sup>

INTERNATIONAL DIVISION  
 PEACE AND INTERNATIONAL AFFAIRS  
 OFFICE IN EUROPE

TEL. 227.45.12

Commander J.M. PATTON  
 31, Needham Street  
 N. Chelmsford, Mass. 01863  
 U.S.A.

January 27, 1972

Dear Commander Patton,

Further to your questions :

1- Yes, vaguely. When I came to the Committee in June of 1966, Carl Marcy asked me what subjects in the disarmament field I thought would be important in next few years. I said the A.B.M issue, arms sales, and CBW (the NPT was a given). With Marcy's approval I begin to work in the direction of hearing on all the subjects mentioned. The arms sales study was part of that effort.

I never even thought of showing the study to ISA - if I had and they had responded in the fashion you mentioned that effort you have only awakened the interests of Senators, not changed the report. Facts I might have checked with them - not conclusions.

2-  $\neq$  1 has the answer.

3- I honestly don't think I can gracefully respond to this one.

4- No. Not to my knowledge.

5- The FA committee always spends a great deal of time on the Foreign Assistance Act (critics might suggest : "What else do they have to do"). But, of course, that is not my opinion. I think the work of the FA committee has been most useful. Look at the record of how much time the Senate Committee spent on Military Sales before 1967. In one sense, you could say that the Senators had made up their mind ; but you could also say that



they had given a great deal of attention to the issue (in comparison to past efforts) and there was much other business before the Committee (take a look at the calendar).

6- No.

As for the "Vital statistics" on Bader try the NYT of March 22, 1969 and Anthony Austins' new book "The President's War".

I gather you know about the IISS study (soon to emerge) and the SIPRI piece ?

Best of luck,



January 15, 1972

Mr. William B. Bader  
International Division  
European and International Affairs  
The Ford Foundation  
17, Rue Margueritte  
Paris, France

Dear Mr. Bader:

First, a somewhat belated "thanks" for your quick and complete response to my request for information. Your answers provided me with valuable insight into the central issue of my research -- and they were much appreciated, as was your kind invitation to make further inquiries.

I am in the writing stage now, and am busily tying up loose ends. I was in Washington for a few days and had a pleasant talk with Seth Tillman which helped in a general way. Unfortunately, I missed Norville Jones but will try to see him when I return there again in the near future.

Perhaps you will agree, in retrospect, that your study of arms sales, when coupled with the two subcommittee hearings (Disarmament and Near Eastern and South Asian Affairs) which immediately followed it, takes on aspects of a campaign. Your presence at these hearings in the role of consultant to both the subcommittees, your direct questioning of the witnesses, and your frequent prompting of Senator Symington all tend to identify you as a key actor in the proceedings. In an effort to represent this phase of the congressional movement to gain some supervision of arms sales as accurately as possible, I would like to take advantage of your invitation by asking the following additional questions:

1. With regard to your study -- did you prepare it with the impending Disarmament Subcommittee hearings in mind? Mr. McNaughton was upset because you had not shown him or Mr. Kuss a draft of the study and Mr. Marcy defended the practice of not showing work in progress by the staff to the executive branch. were you perhaps concerned that, should ISA see it before it was published, they might move to prevent its publication or so water it down that it would have little or no impact?
2. was the subject of arms sales originally included with the topics (strategic deterrent and missile systems) which were to be considered by Senator Gore's subcommittee -- or was it added as a result of the interest in arms sales stirred up by the study?
3. Even after the study had been published Senator Symington





seemed (by his questions) slow to grasp all the implications of the administration's arms sales program -- he seemed, at one point, to be marching toward the administration's position that if sales were going to be made anyway, the U.S. should get in on the business. Would you care to comment on the degree to which you were responsible in shaping his (and possibly Senator McCarthy's) ultimate views of the program?

4. Senator Ellender, of the Appropriations Committee, was extremely active during the same period -- particularly in regard to employment of the Export-Import Bank in financing arms sales. Do you recall whether you or other members of the Foreign Relations Committee staff discussed the arms sales program with him or with his staff?

5. The House Foreign Affairs Committee hearings on the Foreign Assistance Act of 1967 lasted over two months and received the testimony of numerous witnesses. Contrasted with their handling of the bill the Foreign Relations Committee hearings seem abrupt and almost perfunctory. One could draw the conclusion that, after the previous year's hearings, your study, and the two subcommittee hearings, the Senators had made up their minds and would have considered any testimony unmovable. Would this be a fair conclusion? If so, was this mood of the Foreign Relations Committee known to the administration by early summer?

6. Do you feel that Mr. McNaughton's untimely death had any effect on the administration's efforts in behalf of preserving the arms sales program intact?

I hope that responding to these questions will not inconvenience you -- you have already been most helpful. I have been asked by my thesis adviser to include a certain amount of biographical information on each of the primary participants in this issue; would you be kind enough to provide me with some "vital statistics" concerning yourself? Thank you.

Very sincerely yours,

James M. Patton  
Commander, U.S. Navy

31 Needham Street  
N. Chelmsford, Mass.  
01863



## APPENDIX I

FEBRUARY 8, 1967.

Hon. WILLIAM S. GAUD,  
*Administrator, Agency for International Development,*  
*Washington, D.C.*

DEAR MR. GAUD: The Subcommittee on Disarmament is holding a series of hearings on armament and disarmament problems. Among the subjects under consideration is the management of the United States' conventional arms sales programs. The Subcommittee is particularly interested in determining whether the present system of interagency coordination is adequate to the task of supervising our burgeoning arms sales.

The Subcommittee would therefore appreciate your cooperation in providing information on your Agency's role in coordinating a national policy of arms sales. In order to make this inquiry as specific as possible, would you please provide answers to the questions below on your Agency's role in the sale of (1) the F-4s to Iran, (2) the 12 F-5s to Morocco, (3) the F-104s to Jordan, (4) the A-4s to Argentina.

In each of these individual cases would you answer the following questions:

A. At what stage in the negotiations did your Agency have an opportunity to register an official position on the sale?

B. Did your Agency sit with the State-Defense Coordinating Committee when the sale was discussed? Is your Agency a permanent member of that Committee? If so, for how long?

C. Did your Agency participate in a Senior Interdepartmental Group meeting where the final decision was made to approve the sale?

D. Was your Agency present at any high level meeting where the credit terms of the sale were discussed?

E. Did your Agency have any objections to the sale? If so, what were the objections?

I would hope to have your answers by February 14th. If a full report requires the answers be classified, that is acceptable.

Sincerely yours,

ALBERT GORE.

AGENCY FOR INTERNATIONAL DEVELOPMENT,  
*Washington, February 14, 1967.*

Hon. ALBERT GORE,  
*Chairman, Subcommittee on Disarmament,*  
*U.S. Senate, Washington, D.C.*

DEAR SENATOR GORE: Enclosed herewith is the information requested in your letter of February 8 as to the part played by this agency in the sale of aircraft to Iran, Morocco, Jordan, and Argentina. If you wish any further information I will be happy to supply it.

Sincerely yours,

WILLIAM S. GAUD.

### SALE OF F-5's TO MOROCCO

#### A

AID participated from their inception in the discussions which led to the decision to furnish these aircraft to Morocco.

#### B

The State/Defense Coordinating Committee did not meet on this case. AID was, however, fully familiar with the transaction and participated in many inter-agency discussions relating to it.

#### C

The decision to provide the aircraft was made before the Senior Interdepartmental Group was established.

#### D

AID participated actively in the discussions which led to the decision to provide these aircraft. The meeting at which this was decided was an interdepartmental meeting chaired by the Deputy Administrator of AID. AID was also an active participant in the discussions which led to developing the terms upon which the sale was made.

#### E

AID did not object to this transaction.



## SALE OF F-4's TO IRAN

## A

These aircraft constitute part of a sales program which was finally approved in May 1966.

AID participated in many discussions relating to this proposed sale. It not only had an early opportunity to register a position on this matter, but did so. AID objected to the size and timing of the proposed transaction. AID did not, however, express an opinion as to the individual items to be included, and therefore expressed no view as to whether F-4 aircraft should be sold.

## B

AID has been a member of the State/Defense Coordinating Committee since this Committee was set up in April 1964. This sale was considered by that Committee, and AID participated in the discussion.

## C

There was no meeting of the Senior Interdepartmental Group at which this transaction was considered.

## D

AID representatives were present at a number of high-level meetings at which credit terms were discussed. AID's view as to what these terms should be finally prevailed.

## E

AID did object to the proposal. AID's interest has been and continues to be that the primary call on the resources of Iran should be for economic development. AID, therefore, recommended a one year agreement of a lesser amount.

These objections resulted in a modification of the sales proposal.

## SALE OF F-104 TO JORDAN

## A

AID was involved in this transaction from its inception and actively participated in the discussions relating to it.

## B

There was no meeting of the State/Defense Coordinating Committee at which this matter was discussed. However, it was discussed extensively between the Department of Defense, State, and AID.

## C

There was no meeting of the Senior Interdepartmental Group at which this transaction was considered.

## D

No credit was extended in connection with the sale of these aircraft. AID did participate in discussions when the possibility of extending credit was considered, and was in agreement with the decision to extend none.

## E

AID was concerned as to the possible economic impact of the sale, but in the last analysis did not object.

## SALE OF A-4's TO ARGENTINA

## A

AID was informed from the outset of the negotiations which led to this sale, and throughout had an opportunity to register its position with respect to it.

## B

There was no meeting of the State/Defense Coordinating Committee at which this sale was discussed. AID did, however, participate in a number of inter-agency meetings at which this transaction was discussed.

## C

The Senior Interdepartmental Group was not established until after this sale had been completed.

## D

Staff officers representing this agency participated in discussions at which the proposed credit terms were discussed. Those terms were subsequently approved by the Administrator of the Agency.

## E

AID did not object to this transaction in view of the limited effect it would have on the Argentine economy.

(Responses to an identical request were received from the following agencies:)





**U.S. ARMS CONTROL AND DISARMAMENT AGENCY,  
Washington, February 15, 1967.**

Hon. ALBERT GORE,  
*Chairman, Subcommittee on Disarmament,  
Senate Committee on Foreign Relations, Washington, D.C.*

DEAR SENATOR GORE: In response to your letter of February 8, 1967, regarding the role of this Agency in decision-making with respect to military sales I would like to make some general comments before addressing your specific questions.

This Agency has always had an interest in the relationship of U.S. military sales policy to possible international agreements imposing limitations on armaments. We have devoted considerable study to this subject, and have attempted to identify practical steps that might be taken to encourage such agreements. In particular, we formulated the proposal reflected in point 7 of the President's message to the Eighteen Nation Disarmament Conference on January 27, 1966 (a copy of which is enclosed); elaborated that proposal at the ENDC and at the U.N.; and have been pursuing every available opportunity to implement that proposal.

In view of the limitations imposed by our small staff and the priorities necessarily accorded to the strategic arms race (which has been the principal focus of attention in disarmament negotiations at the ENDC and the U.N.), we did not, prior to enactment of the Foreign Assistance Act of 1966, play a significant role in decision making with respect to unilateral U.S. military sales policy except where questions involving the limited test ban treaty or missile proliferation were concerned.

Following enactment of section 154(a) of the Foreign Assistance Act of 1966, which provides that "programs for the sale or exchange of defense articles shall be administered so as to encourage regional arms control and disarmament agreements and so as to discourage arms races", the Director, as principal adviser to the President and the Secretary of State on arms control and disarmament matters, recognized the need to devote increased attention to this aspect of his responsibilities. Accordingly, he issued the enclosed Agency instruction, which is currently being vigorously implemented.

We enclose a confidential memorandum indicating the degree of our participation in decisions with respect to the particular military sales specified in your letter.

Sincerely yours,

ADRIAN S. FISHER, *Acting Director.*

(The confidential memorandum referred to is on file with the Senate Foreign Relations Committee.)

EXECUTIVE OFFICE OF THE PRESIDENT,  
BUREAU OF THE BUDGET,  
Washington, D.C., February 16, 1967.

Hon. ALBERT GORE,  
*Chairman, Subcommittee on Disarmament,  
Committee on Foreign Relations  
U.S. Senate,  
Washington, D.C.*

DEAR MR. CHAIRMAN: I refer to your letter of February 8, 1967, and your questions on the Bureau of the Budget's role in certain aircraft sales.

Before answering your individual questions, I should like to discuss briefly the general roles of the principal Departments and Bureau of the Budget in the preparation of the annual military assistance program, including credit sales. As you know, the Foreign Assistance Act requires that—

"Under the direction of the President, the Secretary of State shall be responsible for the continuous supervision and general direction of the assistance programs authorized by this Act, including but not limited to determining whether there shall be a military assistance program (including any civic action and sales program) for a country and the value thereof, to the end that such programs are effectively integrated both at home and abroad and the foreign policy of the United States is best served thereby."

The Act also stipulates that the Secretary of Defense "shall have primary responsibility for—

- (1) the determination of military end-item requirements;
- (2) the procurement of military equipment in a manner which permits its integration with service programs;
- (3) the supervision of end-item use by the recipient countries;
- (4) the supervision of the training of foreign military personnel;
- (5) the movement and delivery of military end-items; and
- (6) within the Department of Defense, the performance of any other functions with respect to the furnishing of military assistance."

With primary responsibility in State and Defense, the Bureau's involvement in the military credit sales program at the present time is focused around two specific points in the programming-budgeting process.





First, in the fall of each year as a part of the general *budget process*, the military assistance grant and credit sales program for the current and budget years (this year, FY 1967 and FY 1968) is submitted to the President. The proposals represent the considered judgments of the Secretary of State and the Secretary of Defense on a country-by-country basis. For credit sales, the program submitted sets forth for each proposed recipient, the major items and the terms of credit. The Bureau and National Security Council staff review these programs as to scope, content, and policy. The main issues identified in this review are discussed with the Departments prior to recommendations to the President for inclusion in the annual budget.

Second, after congressional action on appropriations, the Bureau again reviews the grant and credit sales program on a country basis prior to the *apportionment* of funds. At that time, there is opportunity for discussion with representatives of State and Defense to review the specific credit sales proposals as they relate to the Administration's policy.

In response to the questions contained in your letter, I should like to make the following observations:

State and Defense are responsible for the formulation and negotiation of specific credit sales. However, Bureau staff follow on an informal basis major proposed sales during negotiations and can and do make recommendations to the agencies or the President on specific sales, as appropriate.

The Bureau of the Budget does not sit on the "State and Defense Coordinating Committee." Similarly, the Bureau is not a member of the Senior Interdepartmental Group. However, the results of the deliberations of these groups are available when required.

In none of the specific sales cases you cite was the Bureau of the Budget present at "high level" meetings where the credit terms of the sales were discussed.

Finally, the Bureau of the Budget did not object to the aircraft sales to which you refer in your letter.

I hope that these comments are helpful.

Sincerely,

PHILLIP S. HUGHES, *Acting Director.*

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THE SECRETARY OF THE TREASURY,  
Washington, D.C., February 15, 1967.

Hon. ALBERT GORE,  
U.S. Senate,  
Washington, D.C.

DEAR SENATOR GORE: I am responding to your letter of February 8 which requested information concerning Treasury participation in the interagency coordination of the U.S. military sales program, and particularly concerning the sale of (1) the F-4's to Iran, (2) the 12 F-5's to Morocco, (3) the F-104's to Jordan, (4) the A-1's to Argentina.

In answer to your specific questions:

A. At what stage in the negotiations did the Treasury Department have an opportunity to register an official position on the sale?

In each of the cases mentioned in your letter, Treasury was made aware at an early stage in the negotiations, either through the exchange of messages with our Embassies or by informal advice from the Department of Defense, that such sales were being considered. Through our regular liaison with Defense and other agencies we had opportunities to present our views throughout the process of all of these negotiations.

B. Did your Department sit with the State/Defense Coordinating Committee when the sale was discussed? Is your Department a permanent member of that Committee? If so, for how long?

Treasury is not a permanent member of that Committee. However, from time to time my Assistant for National Security Affairs has represented Treasury at meetings of the Committee, particularly when such subjects as credit sources and terms have been discussed. He was not present when the cases mentioned in your letter were considered.

C. Did your Department participate in a Senior Interdepartmental Group meeting where the final decision was made to approve the sale?

To our knowledge, there were no meetings of the Senior Interdepartmental Group on these specific sales.

D. Was your Department present at any high-level meetings where the credit terms of the sale were discussed?



It was not necessary for us to attend any high-level meetings on these specific cases. The focus of any such meetings was not on credit terms. The sale to Jordan was for cash. The sales to Iran, Morocco, and Argentina involved MAP credit on terms which fell within the general pattern of MAP credit terms that had been discussed between agencies on numerous occasions.

E. Did your Department have any objections to the sale? If so, what were the objections?

We did not raise any objections to the specific sales from the Treasury point of view. We felt that no adverse balance-of-payments impact was involved, and we did not object to the credit terms.

In answer to your more general question as to the role of the Treasury in coordinating a national policy of arms sales, Treasury has maintained close contact with the Departments of Defense and State and other agencies on the military sales program.

The Assistant to the Secretary for National Security Affairs is in day-to-day contact with the Departments of Defense and State and other agencies to effect coordination. This office, through informal, regular contact, keeps other Treasury offices informed of policy issues and negotiations in process, so that Treasury is in a position to express its views on matters of concern to us—especially balance-of-payments impact and credit terms.

Treasury also chairs the National Advisory Council on International Monetary and Financial Policies (NAC), which is composed of the Departments of State, Treasury and Commerce and the Export-Import Bank and the Federal Reserve Board. The Department of Defense and the Agency for International Development are regular participants. We use the NAC procedures to facilitate coordination of military sales credit terms.

Sincerely yours,

HENRY H. FOWLER.

**Source:** U.S. Congress, Senate, United States Armament and Disarmament Problems, Hearings Before the Subcommittee on Disarmament of the Committee on Foreign Relations, 90th Congress, 1st session (Washington: U.S. Government Printing Office, 1967).



## APPENDIX J

ASSISTANT SECRETARY OF DEFENSE,  
Washington, D.C., March 1, 1967.

Hon. ALBERT GORE,  
U.S. Senate, Washington, D.C.

DEAR SENATOR GORE: As I promised at the time of my earlier testimony on February 7, I am providing herewith some supplementary comments on the Study entitled, "Arms Sales and Foreign Policy," prepared by the Staff of the Committee on Foreign Relations on January 25. My comments are grouped under six major headings which seemed, on analysis, to represent the main thrust of the study. We find that much of the document is factual and well presented; our disagreement is confined to a few errors of fact, to matters of interpretation, and to certain of the Study's conclusions.

### *I. Allegation of a "Dramatic Shift" from Grant to Sales Programs*

The Study asserts its position on this issue as follows:

1. On page 1, it states "This growing problem of arms competition in the underdeveloped world and the diversion of scarce resources is directly related to a dramatic shift in the composition of U.S. military assistance and sales programs."

2. On page 12, it states that "Over the past four years there has been a basic change in the composition of American military assistance. The sale of arms has now replaced the giving of arms as the predominant form of U.S. military assistance."

3. Also on page 12, it states "The significance of this change is greatly appreciated by the hierarchy of the American Executive Branch."

It is true, as I mentioned in my earlier testimony, that the mix of U.S. military grant aid and credit sales has changed in recent years. Whether this has constituted a dramatic shift is a matter of judgment. In the 1950's, the grant program far exceeded the sales program; at the present time the ratio is 3:2 in favor of sales. But since 1961 the total of the two programs has been remarkably stable, hovering around \$3 billion per year; and it appears that the aggregate figure for FY 1967 will be approximately \$2.5 billion.

This shift is attributable almost entirely to natural economic developments. It has been our purpose for 20 years to strengthen our friends and allies against serious military threats, both external and internal. Since the end of World War II, we have provided a number of countries with billions of dollars of grant military assistance to meet important considerations of US national security. In recent years the economic advance of these countries has enabled them to assume an increasingly larger responsibility for their own defense costs. This development is reflected in the decline of US military grants and the increase in US military sales and is consistent with urgings by the Congress.

### *II. Alleged Inadequacy of the Policy Review Machinery*

The Study asserts its position on this issue as follows:

1. On page 3, it raises the questions "whether the governmental machinery designed for the management of our military sales program is adequate . . ."

2. On page 8, it concludes that "In practice, the mechanism appears unequal to the task."

3. Also on page 8, it states that "the Arms Control and Disarmament Agency, despite its charter, does not sit at the high table when decisions on the sale of arms are made."

4. On page 11, it states that "there seems to be very little coordination between the right hand of military export credit policy and the left hand of development loans."

5. On page 12, it concludes that "it is incumbent on the United States to reappraise the adequacy of the present machinery of policy control and legislative oversight governing the sale of arms."

As I said in my testimony of February 7, every military sale made is either consonant with over-all policy established by the Department of State, or is specifically subjected to a careful and thorough review within the US Government before negotiation is instituted. The review is concerned with the military legitimacy of the requirements, the recipient's ability to pay, the potential effect on peace or stability in the area, and other foreign policy considerations. It is conducted at very high levels of government, and approval is not given until a positive determination has been made that, balance-of-payments considerations aside, the sale is in our best national interests. Secretary McNamara personally reviews all important proposed sales, and the decision frequently goes to the President.

The process of policy review always allows for the presentation of views by State, Defense, Treasury, and AID. It may also involve the Arms Control and Disarmament Agency and the Bureau of the Budget. Therefore with respect to relationship between military sales and development loans, State/AID is always present to bring to bear upon the review process the relevant economic facts about the country in question. The factors of ability to pay and the effect of a military sale on the pace of local economic development are seriously weighed. In consequence, offers of credit are frequently scaled down, much to the disappointment of the recipient country.





It is generally true, as the study points out, that the Arms Control and Disarmament Agency has not been a major participant in the review process relating to specific sales of conventional arms. This reflects among other things the fact that 90% of such sales have been made for the purpose of meeting Alliance requirements. ACDA has concentrated its attention on problems of multilateral control, including nuclear non-proliferation and general disarmament negotiations.

In general, however, I must state emphatically that policy review and policy control are thorough and effective. The present military sales program is an accurate reflection of considered US policy.

### III. Alleged Lack of Comprehensive Reporting of Military Sales

The Study asserts its position on this issue as follows:

1. On page 3, it states that "neither the sales figures given by International Logistics Negotiations—which do not include commercial military sales with the exception of those to West Germany—nor even customs statistics would be able to give the full story of the extent of arms traffic for which the United States is responsible."

2. On page 5, it states that "The problem of compilation of total sales is complicated, if not made impossible, by the absence of any public or even Government sources that give totals of all US military exports to countries or regions."

3. On page 8, it states "the Office of Munitions Control, which should serve as a general clearing house for all arms sales, does not have responsibility for handling, or even cataloging, government-to-government military sales . . ."

4. Also on page 8, it states "Since the Defense Department submits no composite reports to the Congress on what it sells abroad or even how the military assistance credit account is used, legislative oversight in the arms sales field is haphazard and generally ineffectual."

We believe that Congress and the general public have been extensively informed on the scope, results and future plans of the military sales programs. Since the inception of military cash sales in the early 1950s, all such transactions have been reported annually by the DOD as part of the Military Assistance Program presentation. In 1957, DOD informed Congress of its intent to increase military sales, and asked Congress to establish a credit fund, on the grounds that grant recipients should begin paying their way as soon as their economic and political situations made this feasible. Every year since 1964, representatives of the Executive Branch have testified before Congress on the details of the sales program. The DOD figures include commercial and customs statistics, and represent in our judgment approximately 98% of total US military sales. They are compiled from a variety of sources including reports from the buying country, US Embassy reports, foreign embassy reports, and special reports covering customs statistics for transactions over \$20,000. It is nevertheless true that no single, comprehensive report on military sales information (including munitions licenses) is prepared within the Government. We believe the Study's recommendation to provide one has considerable merit.

### IV. Alleged "Dynamic and Aggressive" US Sales Approach

The Study asserts its position on this issue as follows:

1. On page 3, it states that DOD "through the Military Export Committee of the Defense Industry Advisory Council has sought the cooperation of industry and the financial community in an effort to further overseas military sales."

2. On page 4, it states (quoting Mr. Kuss) that other countries "may purchase a minimum of \$10-15 billion of their requirements from the US" because US equipment will be "0-40% cheaper and . . . highly competitive from a technical point of view."

3. On page 9, it states that "neither Britain, France, nor any other of the industrial nations can compete with the United States in the 'Common Defense Market.'"

4. On page 8, it concludes that "American sales efforts have become a source of great irritation in Europe, particularly in West Germany and Great Britain. . ."

Most of these statements are factually correct, but the implications are somewhat misleading. We are of course an industrial country, in competition with other nations and having our own economic goals. We are seriously concerned with the maintenance and expansion of employment levels, production and profits at home. As the Secretary of Defense cited at a press conference in 1965, (1) military sales will provide 1.2 million man-years of employment in the United States (2) they will result in nearly \$1 billion of profits to United States industry each year; and (3) the backlog of orders for U.S. industry has grown by 500%, from approximately \$900 million in 1961 to more than \$5 billion in 1965.

The United States also has a serious balance-of-payments problem. Responsible U.S. officials therefore cannot ignore the possible contribution of their programs to this problem. Military sales contribute directly to our balance-of-payments situation, but they do so within the framework of the rather stringent sales criteria adopted by the Secretary of Defense. His position is that, without regard to balance-of-payments considerations, (1) we will not sell military equipment to a foreign country which we believe it cannot afford, (2) we will not ask a foreign country to buy anything which in its judgment, or in ours, is not needed for its armed forces, and (3) we will not ask any foreign country to purchase anything from the United States which it can buy cheaper or better elsewhere.

It is true that DOD has worked with a number of defense industry groups to further U.S. military sales. We believe such coordination with industry is in keeping with the spirit of the Congressional mandate as set forth in Section



601(b)(5) of the Foreign Assistance Act, which encourages the Executive Branch "to the maximum extent practicable to carry out programs of assistance through private channels."

It is also true, as I mentioned in my earlier testimony, that the United States has become the lowest cost and most effective producer of military equipment in the world, which gives us an undeniable competitive advantage, especially with respect to highly sophisticated items. No doubt this produces irritation and frustration in a number of other countries, particularly in those which have a well-established industrial base of their own and a requirement for modern military equipment. But this matter should be seen in true proportion: Our European allies buy only 23% of their military equipment requirements from the United States; 77% is supplied by their own industry. Moreover, they save money and other resources by buying particular items in the United States.

#### V. *Allegations Regarding the Financing of Military Sales*

The Study asserts its position on this point as follows:

1. On page 6, it states "The ExImBank does not know or want to know where this money goes. The Department of Defense guarantees these funds through the military assistance account. . . . The Bank therefore avoids the problem of directly financing military sales to underdeveloped countries."

2. Also on page 6, it states "The military assistance credit account is the most useful instrument at the disposal of the International Logistics Negotiations (ILN) office . . ."

3. On page 7, it states "The terms of such credit are at the discretion of the Defense Department . . ."

There is an implication in the Study that the ExImBank has been acting autonomously in the financing of military credit sales. This is not the case. The initiative for the bank's role in military sales was taken by the Secretary of the Treasury in 1963. At a meeting attended by the AID Administrator, the Budget Bureau Director, and representatives of the State and Defense Departments, and under the personal chairmanship of the Secretary of the Treasury, the policies and procedures to be followed by both the Bank and the Defense Department in relation to military sales were established.

The Study also implies that the military assistance credit fund is solely at the disposal of the International Logistics Negotiations office. In fact, the management of this fund is a matter of interagency coordination, and disbursements from it are specifically controlled by the AID Administrator acting under the broad delegation of authority from the Secretary of State as set forth in the Foreign Assistance Act. The terms of credit for a given sale are also a matter of interagency discussion and coordination, in which the views of Treasury and AID are given great weight.

#### VI. *Alleged Pre-emptive Selling and Intensification of the Arms Race in Underdeveloped Areas*

The Study asserts its position on this issue as follows:

1. On page 1, it states that "the pursuit of 'illusory prestige' (through arms acquisition) has recently quickened throughout the developing nations of the world"; it then cites US sales of F-4s to Iran, F-5s to Libya, F-104s to Jordan, and A-4Bs to Argentina as examples of this development.

2. On page 5, it states that "Preventing the influx of the military equipment of other nations, a sort of pre-emptive selling, has also been a strong US motive in the underdeveloped areas of the world."

3. On pages 9 and 10, it cites "increasing arms competition between the United States and the Europeans in the 'third' world . . ."; it then states that France, Sweden, and Great Britain are pressing the sale of supersonic aircraft in Latin America.

It should be recognized as an historical fact that, until about 1961, the underdeveloped areas of the world were largely the exclusive preserves of British, French, and German arms firms. Since then, with respect to many items, European firms have suffered in underdeveloped markets the same competitive disadvantages they do at home; that is to say, the US can often under-sell them.

There has been some intensification of arms competition in particular underdeveloped areas [deleted], but the facts do not support such a finding with respect to Latin America or Africa. Furthermore, in every case, the US has tried to damp down tensions and slow down the pace of arms expenditures. The US motivation for each of the sales cited on page 1 of the Study was to assist in deterring an external threat, or to help meet the internal security problem, or to maintain US base rights, or to contribute to regional stability. In all of these cases and in others, the US successfully reduced or postponed the supply of arms desired by the recipient or, as a condition of the sale, obtained agreements limiting the diversion of national resources to military purposes. That the present situation can be described as only an "arms walk" is attributable to the extraordinary efforts made by the US Government to dissuade developing nations from overspending on military items. You will recall that I provided, in my earlier testimony, specific examples of such US efforts.

Finally, as I also said previously, those concerned with guiding and directing US foreign policy must, with respect to arms competition, draw a sharp distinction between other Free World competitors and those from major Communist countries. In certain cases [deleted] the US sale was made fundamentally to avoid the serious danger of a radical shift in the orientation of the recipient country through the introduction of Soviet arms, training missions, and other instruments of influence. And in another case [deleted] our action was prompted by a heavy infusion of Soviet equipment into neighboring states.

Sincerely,

JOHN T. McNAUGHTON.





## APPENDIX K

### Memorandum of Senator Morse to the Gore Subcommittee

MARCH 2, 1967.

Senator MORSE

1. I have gone over the McNaughton letter which is a comment on the staff study on arms sales. My first reaction is to question what possible reason there could be for classifying it, unless this is another example of the executive branch classifying its embarrassments.

2. Whether or not the Committee pursues this matter, I surely intend to. Even if this letter remains classified, I shall itemize its points on the Senate Floor, and respond to them. I hope, however, this letter will be declassified forthwith.

3. I find the specifics of the Department's response to be as much an affirmation of the Committee study as a rebuttal of it. For example, Mr. McNaughton states that "The process of policy review always allows for the presentation of views by State, Defense, Treasury, and AID." But what it "allows for" and what it gets may be quite different. I think Mr. McNaughton more or less confirms that the policy machinery is inadequate, and in my opinion, that calls for correction. Moreover, the fact that military sales abroad provide profits—not contracts, but *profits*—to American business in the magnitude of \$1 billion a year is a statistic to make us wonder whether profits in the arms traffic are not making us a profiteer in blood money.

4. The statement by Mr. McNaughton and the questions we have for him deserve to be considered in open session. I find nothing in any of this material that deserves to be secret. The subject should be pursued by the Subcommittee, but in any case, it will be pursued by individual Senators, including myself.

5. The Department's response does not rebut the essential points of the Committee study. The alarms it raises call for a complete, public re-thinking of our arms sales policy.

Source: U.S. Congress, Senate, United States Armament and Disarmament Problems, Hearings Before the Subcommittee on Disarmament of the Committee on Foreign Relations, 90th Congress, 1st session (Washington: U.S. Government Printing Office, 1967).



## APPENDIX L

### ORGANIZATION OF INTERNATIONAL LOGISTICS NEGOTIATIONS, OASD/ISA

The Office of International Logistics Negotiations is an integral part of the Office of the Assistant Secretary of Defense for International Security Affairs and is headed by Deputy Assistant Secretary Henry J. Kuss, Jr.

Under two deputies to Mr. Kuss, one primarily for Weapon Systems and one for Management, there have been constituted six directorates each of which is charged with activities for specific countries and also with functional responsibilities as set forth below:

#### 1. Air Weapon Systems Directorate

*Principal Negotiating Assignments:* Federal Republic of Germany, Austria, Belgium, Netherlands, Luxembourg

*Secondary Functional Assignments:* Coordination of ILN Air Weapon Systems export planning and related reports; conduct multi-country Air Weapons negotiations; coordinate the weapon systems management activities of the three Weapon Systems Directorates.

#### 2. Navy Weapon System Directorate

*Principal Negotiating Assignments:* United Kingdom, Canada, Sweden, Norway, Denmark, Finland

*Secondary Functional Assignments:* Coordination of ILN Navy Weapon Systems export planning and related reports; conduct multi-country Navy Weapon Systems planning and negotiations; conduct procurement planning and negotiations, including common defense market planning.

#### 3. Ground Weapon Systems Directorate

*Principal Negotiating Assignments:* Italy, France, Spain, Switzerland, Portugal, Yugoslavia, NATO

*Secondary Functional Assignments:* Coordination of ILN Ground Weapon Systems export plans and related reports; conduct multi-country Ground Systems planning and negotiations; administration of non-recurring cost recovery policy; review of export policy on advanced technology.

#### 4. Management Control Directorate

*Principal Negotiating Assignments:* Iran, Saudi Arabia, India, Pakistan

*Secondary Functional Assignments:* Design, installation and operation of a management control system for foreign military sales and related activities; establishment of integrated internal and external procedures and schedules; determination of requirements for management information; acquisition, formulation and presentation of such information for Management decisions.

#### 5. Financial Management Directorate

*Principal Negotiating Assignments:* Australia, Japan, New Zealand, Taiwan, Thailand, Malaysia, Burma, Philippines, Korea, Vietnam

*Secondary Functional Assignments:* Maintain coordination with Treasury Department, Ex-Im Bank and banking community for all ILN financing; develop credit financing guidance and Government and commercial Military Export Programs; manage credit program for all military exports, including private and Ex-Im Bank direct financing, guarantee financing, MAS revolving fund financing and sale of notes to financing institutions, including Table 722; provide negotiating assistance to all ILN Teams on credit financing; coordinate CINCPAC activities.

#### 6. Economic Management Directorate

*Principal Negotiating Assignments:* Latin America, Africa, Greece, Turkey, Jordan, Israel, Lebanon, Iraq

*Secondary Functional Assignments:* Maintain coordination with AID and Economic Officers at State on ILN economic matters; develop economic guidance for ILN export programs for both industrially developed and developing countries; on the basis of economic analysis, develop new program techniques for management, negotiations and implementation of Government and commercial military export programs.

**Source:** U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, Hearings Before a Subcommittee of the Committee on Appropriations, 90th Congress, 1st session (Washington: U.S. Government Printing Office, 1967).





## APPENDIX M

### EXPORT-IMPORT BANK

#### BOARD OF DIRECTORS

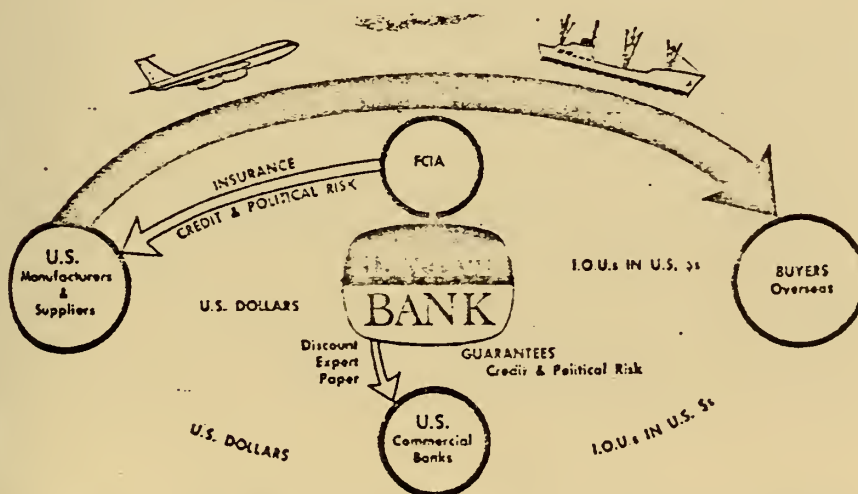
Harold F. Linder of New York President and Chairman, Walter C. Sauer of the District of Columbia First Vice President and Vice Chairman, Elizabeth S. May of Massachusetts, Hobart Taylor, Jr. of Michigan and Tom Lilley of West Virginia.

Founded in 1934, the Export-Import Bank, more popularly known as Eximbank, is an independent corporate agency of the United States Government. Its function is to assist in financing the export trade of the United States. The Bank serves this purpose by making loans directly to overseas buyers of American goods and services; by guaranteeing and insuring short and medium term export transactions; and by discounting export debt obligations held by commercial banks. To enable Eximbank to conduct these operations, the Act of Congress which constitutes the charter of the Bank, grants it broad banking powers, including authority to borrow and lend, and to buy, sell, or guarantee debt obligations.

The direct lending operations of Eximbank are not unlike those of the several multi-national banks engaged in international lending, although Eximbank's activities are designed solely to serve the interests of the United States, whereas the multi-national institutions serve the interests of all their member governments. In its insurance and guarantee operations, Eximbank is the United States counterpart of those institutions of other industrial countries which provide guarantees and insurance to their exporters against the credit and political risks of overseas sales.

The charter of Eximbank lays down three basic principles: (1) Eximbank should supplement and encourage—not compete with—private capital; (2) Eximbank loans should generally be for specific purposes and should offer reasonable assurance of repayment; and (3) Eximbank fees and premiums charged for guarantees and insurance should be commensurate with the risks covered.

Eximbank derives its funds from capital stock, from borrowing either from the United States Treasury or the private capital market, and from retained earnings. All of the Bank's \$1 billion of capital stock is held by the Treasury and the Bank may borrow from the Treasury up to \$6 billion. The Bank has raised funds in the private market through the sale of participations in its loan portfolio and the Attorney General of the United States has ruled that Eximbank guarantee of such participations, as well as other undertakings of the Bank, constitutes a general obligation of the United States Government backed by its full faith and credit. The retained earnings of the Bank, which constitute a reserve for possible losses, are slightly in excess of \$1 billion. This reserve has been accumulated by the Bank after payment of all its operating expenses, including interest on funds borrowed, and payment of dividends over the years of some \$500 million to the United States Treasury.



Eximbank is authorized to have outstanding loans, guarantees, and insurance of up to \$9 billion. Since its charter provides that only 25 per cent of the face amount of up to \$2 billion of guarantees and insurance need be charged against this ceiling, commitments outstanding many reach \$10.5 billion. During its life, Eximbank's net authorization for loans, guarantees, and insurances have aggregated over \$17 billion.



The chief executive officer of the Bank is a President who also serves as Chairman of a bi-partisan Board of Directors which is the policy making body of the Bank. The President and Chairman, and the other four members of the Board, are appointed by the President of the United States with the advice and consent of the Senate. Eximbank's policies are coordinated with those of the Government as a whole through the National Advisory Council on International Monetary and Financial Policies, an inter-agency group composed of the Secretaries of State, Treasury, and Commerce, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of Eximbank. An Advisory Committee of nine members, broadly representative of production, commerce, finance, agriculture, and labor, meets several times a year to advise with the Bank on its policies.

#### DIRECT LOANS

If a buyer abroad contemplates procuring equipment from United States suppliers for an industrial or other project and these purchases are of sufficient magnitude, direct contact with and a direct credit from Eximbank will usually be the most appropriate Eximbank assistance. Purchasers eligible to apply for a direct credit are: a foreign corporation, the stock of which is privately or publicly held; a foreign partnership or individual; a foreign government or its agencies; or a United States enterprise operating abroad. Generally speaking, the credit will be made available only to assist in financing capital goods and related services of United States origin.

Under a direct loan, Eximbank negotiates a credit agreement with the foreign purchaser who issues his notes or promises to pay to Eximbank upon effective delivery of the equipment, the Bank concurrently remitting dollars to the United States supplier. Here the exporter's role is secondary and he participates in the financing only when asked to take some part of the financed portion of the sale.

Repayment terms for direct credits vary with the project and the type of equipment, running normally from five to fifteen years. An initial waiting period prior to the first repayment of principal may be granted for installation and to permit cash throw-off to develop. The interest rate on direct credits is not subject to fluctuations but, as it is governed in part by the cost of money to Eximbank, may be adjusted upwards or downwards from time to time.

Eximbank must satisfy itself that the country in which the loan is to be made can supply, in all probability, the dollar exchange to service not only the Eximbank loan but the country's total dollar debt as well. If exchange controls exist or are imminent, Eximbank will require assurance from appropriate governmental authorities that the necessary dollar exchange will be forthcoming. If the country is limited in its ability to earn hard currency, Eximbank may give priority to loans which finance enterprise capable of throwing off or saving foreign exchange.

In loans to unseasoned ventures, or where the credit of the obligor falls short of "reasonable assurance of repayment" criteria, Eximbank requires an unconditional endorsement from a financially responsible guarantor—a foreign private or governmental bank, the government itself, a foreign or domestic corporation, or on occasion an individual. Eximbank prefers not to accept mortgages, pledges, or other liens on assets as security for its loans.

Finally, the technical feasibility of the project must be appraised. This may involve engineering, market potential, raw material availability, and similar studies. Since Eximbank operates within the framework of Government policy, it also weighs the effect of the loan on the United States balance of payments and the project's economic and social impact in the host country.

Not all direct loans are for capital goods. Eximbank has been a significant factor in financing agricultural commodity exports, principally cotton. Loans have also been made to financial institutions abroad for relending to buyers of United States equipment. A number of sizeable credits have been extended to foreign governments to tide them over temporary periods of dollar shortage, thereby maintaining the flow of U.S. goods to the recipient country.

#### INCREASED LENDING AUTHORITY AND EXTENSION OF LIFE, 1963

On August 20, 1963, the Congress enacted P.L. 88-161 (77 Stat. 128) pursuant to which the lending authority of the Bank was increased from \$7 billion to \$9 billion; the aggregate amount of export credit insurance and guarantees which the Bank may have outstanding, against fractional reserves, was increased from \$1 billion to \$2 billion; and the life of the Bank was extended from June 30, 1963 to June 30, 1968.

**Source: U.S. Congress, House of Representatives, Export - Import Bank and Credit Sales of Defense Articles, Hearing Before the Committee on Banking and Currency, 90th Congress, 1st session (Washington: U.S. Government Printing Office, 1967).**





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## APPENDIX N

# Congress of the United States

## House of Representatives

### Washington, D.C. 20515

COMMITTEES:  
BANKING AND CURRENCY  
JOINT ECONOMIC  
JOINT DEFENSE PRODUCTION  
HOUSING SUBCOMMITTEE

WASHINGTON STAFF:  
BEVERLY J. SHAY  
EXECUTIVE SECRETARY

March 30, 1972

Dear Commander Patton:

You inquired in your letter of March 18 as to the events leading up to my writing the Chairman of the House Banking and Currency Committee calling for a hearing on Export-Import Bank financing of arms sales, including sales to underdeveloped countries.

In the fall of 1966, there was considerable comment in the press as to the possibility of United States firms participating in providing equipment for the proposed Fiat-Soviet automobile plant. In December of 1966 several members of the International Trade Subcommittee of the House Banking and Currency Committee made a trip to Italy and the Soviet Union to acquaint themselves with the considerations involved should there be United States participation in that plant. In the early months of 1967 this group continued active in the further study of the problems involved.

It was during this period that the minority staff of the House Banking and Currency Committee, in discussing the Fiat problem with the Senate Foreign Relations Committee staff, became aware of the Senate Foreign Relations Committee staff study on armed sales and foreign policy which had been released in January of 1967 followed by hearings before that committee in March, April and June. At that time, the Export-Import Bank had proposed legislation to extend the life of the Bank and increase its basic lending authority. On July 17, 1967, the Banking and Currency Committee held a supplemental hearing dealing with Export-Import Bank financing sales of defense materials. This resulted in delay in enactment of the basic legislation under consideration by the committee with the result the bill extending the life of the Bank and increasing its lending authority did not become law until March 13, 1968.

I hope this information will be helpful to you in preparing your thesis.

Best wishes.

Sincerely yours,

Commander James M. Patton  
31 Needham Street  
North Chelmsford, Mass. 01863







EXPLANATION OF AMENDMENTS PROPOSED BY THE EXECUTIVE BRANCH TO PART II  
(MILITARY ASSISTANCE PROGRAM) OF THE FOREIGN ASSISTANCE ACT OF 1961,  
AS AMENDED

REORGANIZATION OF STATUTORY PROVISIONS

Most of the amendments proposed by the Executive Branch to part II of the Act are technical in nature and are designed to delineate more clearly those provisions which apply to the military assistance program and those provisions which apply to the military sales program. They are intended as a forward step in clarifying the scope of these programs.

Circumstances of history, in particular the clearly weakened economic conditions of most countries following World War II, forced on the United States the role of major armament supplier to the free world. During the decade of the 1950s, the United States met the legitimate armament needs of its friends primarily through a major grant aid program. By the latter part of the decade, however, many of these countries had become prosperous again, enabling them to produce more of their own arms or buy them abroad.

In terms of total value, US military exports in the 10 year period, FY 1962-1971 are not expected to be measurably higher than in the decade, FY 1952-1961; the big change will be in the shift in the way these exports are financed—from grant aid in the 50s to military sales in the 60s. By FY 1961, grant aid had declined from an average annual level of \$2 billion-plus during the 1950s to about \$1.5 billion. Since FY 1961 this downward trend has continued as grant aid declined both absolutely and relatively. Whereas in FY 1961 there were \$2 of grant aid for every dollar of military sales to foreign recipients, by FY 1966 the ratio had been reversed.

In view of this shift in emphasis from grant aid to sales—a shift called for by the Congress in section 506(c) of the Act—it appears desirable at this time to recodify the statutory provisions applicable to the grant aid and sales programs so as to delineate those provisions applicable to both programs and those provisions applicable only to grant aid or to sales. Under the present Act, for example, the general authority for grant aid and for reimbursable transactions (i.e., sales, exchanges, leases, and guaranties) are commingled in one section—section 503. Other provisions affecting these authorities are scattered through the remainder of part II of the Act in various sections. Hence, the uninformed reader of part II can be led astray in seeking to ascertain the authority governing particular kinds of transactions. The guaranty authority is illustrative of this, part of the authority being contained in section 503(e) of the Act and part in section 506(b) of the Act. Similarly, restrictions on grant aid to Latin America are found not only in section 511 of the Act but also in section 505(b) of the Act.

To reorganize the statutory provisions into a clearer form is, accordingly, the primary purpose of the technical amendments proposed by the Executive Branch. As a result of this reorganization, part II is divided into three chapters. Chapter 1 sets forth the policy governing military assistance and sales and the terms which govern the utilization of defense articles and defense services granted or sold under part II. Chapter 2 consists of the substantive provisions of the military assistance program. Chapter 3 sets forth the substantive provisions of the foreign military sales program, which comprises cash sales, credit sales, guaranties, exchanges, and leases.

SUBSTANTIVE AMENDMENTS

The remaining amendments proposed by the Executive Branch to part II of the Act would accomplish the following substantive changes.

1. *Two Year Authorization for Appropriations and "Draw-down" Authority*

Sections 201(c) and (j) of the bill authorize MAP appropriations for the fiscal years 1968 and 1969 and extends for the same period the authority to draw-down defense stocks to meet emergencies. A two-year authorization would evidence Congressional recognition that military assistance is in our national interest, that the program does occupy an established place in our overall foreign policy, and that there is a long-term security job to do.

Certain parts of the AID program—development loans and the Alliance for Progress—have traditionally been authorized for more than one year. These two programs are now authorized through FY 1969, and two-year authorizations are also being requested for other AID programs. A two-year authorization for military assistance would bring it into line with the economic assistance programs, and provide each new Congress with an opportunity to review military assistance in the light of changing world circumstances. Appropriations, of course, would continue to be made annually, and the Executive Branch would present the off-year programs to the Committee on Foreign Affairs in whatever form or degree of detail the Committee desired.

2. *Transfer of MAP for Laos and Thailand, Infrastructure, and International Military Headquarters from Foreign Assistance Act to DOD Legislation*

The military assistance program was not designed to support forces actually engaged in combat operations, but rather to equip forces and provide stocks of combat consumables essential to initial defense against overt aggression. For this reason, it was proposed last year to transfer the support of South Vietnamese and other free world forces engaged in the defense of the Republic of Vietnam from the military assistance program to the regular Defense budget. That change, which was approved by the Congress, has facilitated the effective management of both our Logistics resources in South Vietnam and of the military assistance program world-wide.



This year, similar considerations underlie the proposed transfer in FY 1968 of the military assistance support costs of the Lao and Thai forces from the military assistance program to the regular Defense budget. Laotian forces are heavily engaged in combat operations closely associated with the free world effort in Vietnam; and their requirements, especially for ammunition and light aircraft, are largely combat-related and are subject to further change. United States access to Thai bases is vital for United States aircraft operating against North Vietnam, and the Thai Government will soon be sending some of its ground forces to fight beside our own and other free world forces in South Vietnam.

Two other transfers from the military assistance program to the regular Defense budget are also proposed in section 201(b)(2) and (3) of the bill. The first involves the NATO Infrastructure Program which provides for the construction and maintenance of facilities needed by NATO forces in Europe, including those committed to NATO by the United States and deployed throughout the NATO area. The second involves the International Military Headquarters Program which supports the integrated command structures of NATO, CENTO and SEATO. These programs, which represent the United States' share of the total costs of the two endeavors, are principally related to the support of our own forces and should properly be financed in the regular Defense budget.

### 3. Elimination of 40 Country Restriction on MAP

The 40 country restriction which section 504(a) of the Act imposes upon MAP is removed by section 201(c) of the bill in order to permit the President to conduct U.S. foreign policy with an adequate degree of flexibility. While it is the goal of the Executive Branch to reduce the number of recipient countries as rapidly as practicable without jeopardizing our security, a fixed ceiling on the number of countries which can be given military assistance is an arbitrary restriction on the President's ability to respond quickly to changing world requirements.

### 4. Exchanges

Section 201(i)(4)(B) of the bill adds an optional way of carrying out barter transactions, which does not involve MAP funding. Under sections 503(a) and 509(a) of the Act (which are continued in being by section 201(i)(1), (2), (3), and (4)(A) of the bill as new sections 527(a) and (b)), MAP funds may be used to procure defense articles and defense services for barter with friendly foreign countries for other defense articles and defense services. The defense articles and defense services received in exchange may be used to carry out part II or may be transferred to any United States Government agency. In some cases, barter transactions have been carried out under this authority solely in furtherance of part II of the Act. In other cases, barter transactions under this authority have had the dual purpose of further part II of the Act and also of acquiring defense articles and defense services from other countries to meet the requirements of our own armed forces. In the latter kind of transactions, the MAP appropriation account is, under existing law, not reimbursed by the applicable military function appropriation until the items received as exchange are delivered to the Military Departments. The new authority proposed by section 201(i)(4)(B) would enable such transactions to be carried out without pre-funding by MAP, and this would avoid tying up and temporarily diverting MAP funds from other program uses.

### 5. Credit Sales

Section 201(p), which re-enacts that part of section 503(a) of the Act relating to general authority for credit sales as subsections (a) and (b) of a new section 521, also adds a new credit sales authority as subsection (b)(3) of section 521. This subsection, which would further the intent of Congress as expressed elsewhere in the Act to utilize private channels, where possible, in carrying out programs under the Act, authorizes the purchases of promissory notes issued by a foreign country to a commercial supplier which has sold defense articles and services directly to the country.

In some cases, friendly foreign governments may, for political and/or economic reasons, desire to deal directly with the U.S. private supplier or lending institution rather than with U.S. Government agencies. This new authority—like the existing sales authority—would be used only when it is in the U.S. national interest that such sales be made. Under this subsection, DOD would, with respect to approved sales, arrange in advance with U.S. suppliers to acquire from them promissory notes issued by foreign countries and either hold these or dispose of them, in whole or in part, to appropriate financial institutions. It should be noted that enactment of this subsection would not have the effect of increasing the funds available for financing credit sales or the total volume of sales which could legally be financed by such funds; it would only provide an additional optional means of utilizing available funds to carry out approved programs for the assumption by friendly countries of a larger share of the burden of their own defense.

Source: U.S. Congress, House of Representatives, Foreign Assistance Act of 1967, Hearings Before the Committee on Foreign Affairs, 90 th Congress, 1st session (Washington: US Government Printing Office, 1967), pp. 187 - 189.





MILITARY ASSISTANCE (INCLUDING FOREIGN MILITARY SALES FUND)  
SUMMARY STATUS OF FUNDS, 1950 - 1967  
SHOWING - AMOUNTS AVAILABLE FOR OBLIGATIONS AND EXPENDITURES,  
OBLIGATIONS RESERVATIONS, EXPENDITURES AND YEAR END BALANCES  
(In millions of dollars)

| Fiscal Year                              | Available for Obligations/Reservations |                |               |                |                                 | Unpaid Obligations/Reservations Brought Forward | Total Available Expenditure (Cols. 6-8) | Gross Expenditures (10) | Unobligated Balances Returned to Treasury (11) | Unexpended Balances Continued Available             |                                      |            |            |            |
|--|--|----------------|---------------|----------------|---------------------------------|---|---|-------------------------|--|---|--------------------------------------|------------|------------|------------|
|  | Unobligated Balance Brought Forward    | Appropriations | Net Transfers | Reimbursements | Total Obligations (Cols. 2-4-5) |   |   |                         |  | Unobligated Obligations/Reservations (Cols. 6-7-11) | Unpaid Obligations/Reservations (13) | Total (14) |            |            |
|  | (1)                                    | (2)            | (3)           | (4)            | (5)                             | (6)   | (7)                                     | (8)                     | (9)  | (10)  | (11)                                 | (12)       | (13)       | (14)       |
| 1950                                     | \$ NA                                  | \$ 1,314.0     | \$ -          | \$ -           | \$ .1                           | \$ 1,314.1                                      | \$ 1,101.0                              | \$ NA                   | \$ -   | \$ 51.7   | \$ -                                 | \$ 213.2   | \$ 1,049.3 | \$ 1,262.4 |
| 1951                                     | 213.2                                  | 5,222.5        | -             | -              | .9                              | 5,436.5   | 4,676.9                                 | 1,049.3                 | -  | 934.2   | -                                    | 759.7      | 4,791.9    | 5,551.6    |
| 1952                                     | 759.7                                  | 5,744.0        | -475.1        | -              | 1.7                             | 6,027.2   | 5,591.2                                 | 4,791.9                 | -  | 2,385.9   | -                                    | 436.1      | 7,997.2    | 8,433.2    |
| 1953                                     | 136.1                                  | 4,219.8        | -123.7        | -              | 2.0                             | 4,134.2   | 2,512.1                                 | 7,997.2                 | -  | 3,953.1   | -116.2                               | 1,905.9    | 6,556.2    | 8,462.0    |
| 1954                                     | 1,477.0                                | 3,230.0        | -12.5         | -              | 1.6                             | 5,125.0   | 2,333.7                                 | 6,556.2                 | -  | 3,629.5   | -318.7                               | 2,422.5    | 5,310.5    | 7,733.0    |
| 1955                                     | 2,422.5                                | 1,192.7        | -249.7        | -              | 7.1                             | 3,372.6   | 3,163.2                                 | 5,310.5                 | -  | 8,683.0   | -175.5                               | 33.9       | 6,176.4    | 6,210.3    |
| 1956                                     | 33.9                                   | 1,022.2        | -6.0          | -              | 5.1                             | 1,055.2   | 848.7                                   | 6,176.4                 | -  | 7,234.7   | -14.0                                | 195.5      | 4,405.1    | 4,600.6    |
| 1957                                     | 195.5                                  | 2,017.5        | -             | -              | 4.5                             | 2,217.5   | 1,664.5                                 | 4,405.1                 | -  | 6,622.6   | -14.2                                | 538.8      | 3,713.3    | 4,252.1    |
| 1958                                     | 538.8                                  | 1,340.0        | -25.0         | -              | 2.3                             | 1,586.1   | 1,323.3                                 | 3,713.3                 | -  | 5,569.4   | -6.3                                 | 21.5       | 3,351.8    | 3,373.3    |
| 1959                                     | 11.5                                   | 1,511.0        | -             | -              | 27.5                            | 1,548.3   | 1,512.2                                 | 3,351.8                 | -  | 4,916.1   | -                                    | 52.1       | 2,495.9    | 2,548.0    |
| 1960                                     | 52.1                                   | 1,300.0        | +31.2         | -              | 26.0                            | 1,409.3   | 1,358.4                                 | 2,495.9                 | -  | 3,905.2   | -                                    | 50.9       | 2,218.9    | 2,269.9    |
| 1961                                     | 50.9                                   | 1,800.0        | -15.2         | -              | 17.6                            | 1,853.3   | 1,786.9                                 | 2,218.9                 | -  | 4,072.2   | -8.3                                 | 58.1       | 2,539.6    | 2,597.7    |
| 1962                                     | 58.1                                   | 1,600.0        | -23.0         | -              | 14.6                            | 1,649.7   | 1,585.4                                 | 2,539.6                 | -  | 4,189.3   | *                                    | 64.2       | 2,720.4    | 2,784.6    |
| 1963                                     | 64.2                                   | 1,325.6        | -             | -              | 79.3                            | 1,468.5   | 1,442.7                                 | 2,720.4                 | -  | 4,188.9   | -2.1                                 | 25.8       | 2,395.9    | 2,421.7    |
| 1964                                     | 25.8                                   | 1,300.0        | +90.0         | -              | 77.3                            | 1,193.1   | 1,188.6                                 | 2,395.9                 | -  | 3,589.0   | *                                    | 4.4        | 2,051.1    | 2,055.5    |
| 1965                                     | 4.4                                    | 1,130.0        | +55.0         | -              | 8.0                             | 1,197.4   | 1,174.7                                 | 2,051.1                 | -  | 3,248.5   | -5                                   | 22.2       | 1,953.2    | 1,975.4    |
| 1966                                     | 22.2                                   | 1,470.0        | -             | -              | 103.3                           | 1,595.4   | 1,584.4                                 | 1,953.2                 | -  | 3,548.6   | -                                    | 11.1       | 2,133.4    | 2,144.4    |
| Cumulative 1950-1966                     | NA                                     | 36,442.8       | -757.0        | -              | 382.1                           | NA  | 35,403.0                                | NA                      | -653.8   | 33,269.6  | -653.8                               | NA         | NA         | NA         |
| Deficit: Available for Economic Programs | NA                                     | 433.7          | (6).2         | -              | 3.0                             | NA  | 908.6                                   | NA                      | 2.3  | 908.6   | -                                    | NA         | NA         | NA         |
| Balance: Available for Economic Programs | NA                                     | 35,644.1       | -876.2        | -              | 379.1                           | NA  | 34,404.4                                | NA                      | -651.5   | 32,361.0  | -                                    | NA         | NA         | NA         |

NOTE: Amounts may not add to totals due to rounding.

\* Less than \$50,000.

NA Not applicable.

1. Includes obligation authority granted in advance of receipts (collections) as follows:

2. FY 1965 - \$15.0 million, FY 1966 - \$20.0 million, FY 1967 - \$20.0 million.

3. Includes Section 527 "Special Authority" as follows: FY 1965 - \$75.0 million, FY 1966 - \$300.0 million.

4. Includes \$1.6 million reimbursement received from AID for support of AID/FE missions.

Source: U.S. Department of Defense, Military Assistance Facts - 1967  
(Washington: U.S. Government Printing Office, 1967).





DEPARTMENT OF STATE

Washington, D.C. 20520

March 7, 1972

Commander James M. Patton, USN  
31 Needham Street  
N. Chelmsford, Massachusetts 01863

Dear Commander Patton:

We have discussed within our Bureau the possibility of declassifying the documents you indicated would be useful to you. Our conclusion is that to declassify these documents would require a substantial effort, that probably not all could be declassified, and that, since yours is the only request for these documents, such an effort is not warranted at this time. We are also reluctant to let this material out of our files, i.e., mail it to Tufts for you, because some of it appears to be irreplaceable. Nevertheless, we shall keep your request in mind, and we shall do what we can to help you.

You are, of course, welcome at any time to use our Conte-Long files here in the office, or for that matter any other files pertaining to your research.

I am sorry we cannot be of more assistance.





# APPENDIX R

SILVIO O. CONTE  
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## Congress of the United States House of Representatives Washington, D.C. 20515

April 27, 1972

COMMITTEE ON APPROPRIATIONS

SUBCOMMITTEES:  
TRANSPORTATION  
LABOR-HEW

SELECT COMMITTEE ON  
SMALL BUSINESS

SUBCOMMITTEES:  
REGULATORY AGENCIES  
EX OFFICIO MEMBERS OF  
ALL SUBCOMMITTEES

MIGRATORY BIRD  
CONSERVATION COMMISSION

JOINT COMMISSION  
ON THE COINAGE

Commander James M. Patton, U.S.N.  
31 Needham Street  
North Chelmsford, Massachusetts 01863

Dear Commander Patton:

In further response to your recent letter concerning your Ph.D. dissertation on congressional influence on foreign policy exercised through restraint on the U.S. Military Assistance Program, I have enclosed the material available from my files. This includes my press releases from November, 1967, which pertain to that subject and, also, the texts of my radio shows from that month.

As you may know, the Conte-Long amendment is no longer in force, since amendments to the Foreign Assistance Act of 1961 as Amended (in 1967 and 1969) covers basically the same ground. It was knocked out on the floor by Representative Clement J. Zablocki (D-Wis.) in 1970 on a point of order that it was legislation on an appropriations bill. The main argument used was that provisions of the Conte-Long amendment are now contained in the authorization legislation and, therefore, are no longer needed.

Concerning the background of this measure, I had advocated this sort of restriction on assistance to underdeveloped countries for some time. In fact, I filed a minority view with the Report of the Foreign Operations Subcommittee in 1966 expressing my beliefs concerning military assistance in this area. So, as you can see, the concept was not a new one to me.

Concerning Dr. Bader's study, "Arms Sales and Foreign Policy", I believe I first learned of it when it was mentioned in the mass media. I never talked to Dr. Bader, but I and my legislative assistant at the time, Mr. Fred Wertheimer, did draw much valuable information from the document.

The final wording of the amendments was the result of many discussions, drafts and refinements. I was mainly upset with the amount and type of arms going to underdeveloped Latin American countries. Peru, for example, had one of the lowest literacy rates in the world and, economically, many of the people there were destitute. While Peruvians were going hungry, their government was pouring millions of dollars into armaments out of some misguided drive to accumulate sophisticated weapons and join the "jet set". Originally, my amendments only dealt with Latin America and Africa. However, I changed that in my subcommittee when some members mentioned that the amendments might be interpreted as discriminatory treatment against Latin America and Africa. In arriving at the final



Commander James M. Patton, U.S.N.

Page 2            4/27/72

wording of the amendments, I was assisted by Mr. Wertheimer and the clerk of my committee.

As far as the actual procedure, however, I had not been planning this "unorthodox" move for any great length of time in advance. It was simply the approach that seemed to be the best one at the time. The authorization bill itself seemed hopelessly deadlocked over this issue, so we decided to bring the appropriations bill to the floor without it. Yet, I felt even this would not have succeeded without a provision limiting arms sales to underdeveloped countries.

With regard to Congressman Long's contribution, his co-sponsorship of the amendments was necessary to give them the bipartisan flavor so crucial to sharply contested measures. He was also a firm believer in this sort of limitation and a member of the Foreign Operations Subcommittee.

In retrospect, I believe that these amendments were not only appropriate, but necessary to our entire foreign assistance program. It is highly improper for the United States to encourage these underdeveloped nations to waste funds on unnecessary military purchases. True stability and an improved economy can only result from a victory over hunger, poverty, disease and illiteracy. These are the areas to which our economic aid should be directed.

Despite the amendments, the countries affected of course could still go ahead and purchase the armaments elsewhere. For example, when American jet planes were not for sale, some bought from the French and the English. This occurred despite the fact that those countries who purchased such weapons had their economic aid from the United States decreased by the amount they spent for the arms. But the amendments did succeed to a large degree in getting the United States out of the business of supplying sophisticated weapons to these underdeveloped nations.

I believe the Executive Branch acted well in response to the legislation. Many times after the Conte-Long Amendments were enacted the Executive Branch came to me for an interpretation of the exact intent of the legislation. One example I recall had to do with certain electronic equipment needed for a radar system. The legislation was written so tight that this equipment also was covered and the Administration wanted to find out from me if this was by intent or whether sale of the equipment could be allowed. I believe, on the whole, the Executive Branch leveled with me on its actions.

I hope that I have been of some assistance to you on this matter. If you have any further questions, please do not hesitate to contact me. Also, I would appreciate it if you could send me a copy of your paper when it is completed.



Commander James M. Patton, U.S.N.  
Page 3                      4/27/72

With all best wishes, I am

Cordially yours,

A handwritten signature, possibly "P", followed by a horizontal line.







## BIBLIOGRAPHY

### I PRIMARY SOURCES

#### A. United States Government Publications and Documents

##### 1. Congressional Hearings

U.S. Congress, House of Representatives, Export-Import Bank and Credit Sales of Defense Articles, Hearing Before the Committee on Banking and Currency, 90th Congress, 1st session, (Washington: U.S. Government Printing Office, 1967). This hearing was requested by Congressman William B. Widnall, as a result of his having been shown Dr. Bader's staff study, and is replete with evidence of the administration's failure to disclose the Export-Import Bank's involvement in credit arms sales to the Congress.

U.S. Congress, House of Representatives, Foreign Assistance Act of 1967, Hearings Before the Committee on Foreign Affairs, 90th Congress, 1st session, (Washington: U.S. Government Printing Office, 1967). These hearings contain much useful information on the regional application of the Military Assistance Program, as given in testimony by the U.S. Commanders-in-Chief of the various regional areas (Pacific, Europe, Latin America, etc.).

U.S. Congress, House of Representatives, Foreign Assistance and Related Agencies Appropriations for 1968, Hearings Before a Subcommittee of the Committee on Appropriations, 90th Congress, 1st session, (Washington: U.S. Government Printing Office, 1967). The Military Assistance Program portion of these hearings reveals in the dialogues between administration witnesses and Congressmen Passman and Conte the basic arguments which eventually gave rise to some of the more restraining legislation enacted in 1967.

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90th Congress, 1st session, (Washington: U.S. Government Printing Office, 1967). These hearings really constitute an informal investigation into the conduct and control of the Military Assistance Program and provide evidence of obfuscation on the part of the executive branch in regard to the rearming of Pakistan.

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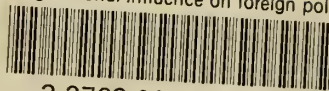
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